

TRIMBLE COUNTY SCHOOL DISTRICT
BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION,
AND INDEPENDENT AUDITOR'S REPORTS

Year Ended June 30, 2017

TRIMBLE COUNTY SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for School District Audits
Members of the Board of Education
Trimble County School District
Bedford, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Trimble County School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the accompanying table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Independent Auditor's Contract*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor, considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness on the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2017, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, during the year ended June 30, 2017, the District adopted Governmental Accounting Standards Board Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68*, and Amendments to Certain Provisions of GASB Statements 67 and 68, Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, Statement 77, *Tax Abatement Disclosures*, Statement 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*, Statement 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement 14*, and Statement 81, *Irrevocable Split-Interest Agreements*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 to 10, budgetary comparison information on pages 47 to 48, schedule of proportionate share of the net pension liability on pages 49 to 50 and schedule of contributions on pages 51 to 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Trimble County School District's basic financial statements. The combining financial statements, school schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining financial statements, school schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with accounting standards generally accepted in the United States of America. In our opinion, the combining financial statements, school schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated October 30, 2017, on our consideration of Trimble County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Trimble County School District's internal control over financial reporting and compliance.

Stiles, Carter & Associates

Certified Public Accountants
Elizabethtown, Kentucky
October 30, 2017

REQUIRED SUPPLEMENTARY INFORMATION

**TRIMBLE COUNTY SCHOOL DISTRICT
BEDFORD, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

As management of the Trimble County School District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

- The ending cash balances for the District was \$1,671,017
- The Board of Education adopted the four percent (4%) tax rate.
- Two new preschool classrooms were added which included purchasing furniture and supplies.
- The Board added Reading Recovery, Edgenuity and Lexia Reading Programs.
- A Reading Recovery room was constructed with a grant from the University of Kentucky.
- The district purchased the Talent Ed Online Program for job postings and hiring's at a cost of \$15,460.
- The district purchased the Timeclock Plus online timekeeping system at a cost of \$8,184.
- The district spent \$46,122 from the general fund for technology.
- Trimble County Middle and High School went one to one for all of their students (each student was provided a chromebook)
- The District partnered with four (4) other school districts to create the iLead Academy at a cost of \$75,000 per year. The iLead Academy is the state's first regional career academy.
- The Board approved a \$1,000 sign-on bonus for new bus drivers in an attempt to fill the bus driver shortage.
- The Board approved the lease of the former central office building.
- The General Fund had \$10,767,346 in revenues, which primarily consisted of the state program (SEEK), property, franchise, motor vehicle and utility taxes, Medicaid reimbursement, interest on investments and state on-behalf benefits. Expenditures totaled \$10,994,923 excluding inter-fund transfers and including on-behalf payments.

**TRIMBLE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

USING THIS ANNUAL REPORT

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The government-wide financial statements can be found on pages 11 and 12.

The statement of net position presents information on all of the District's assets, liabilities, deferred inflows and deferred outflows with the difference between reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District used fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary funds are our ACES Program, and food service operations. All other activities of the district are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 13 through 21.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 22 through 46.

DISTRICT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows by \$10,599,507 as of June 30, 2007.

A portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and construction in progress), less any related debt used to acquire those assets that is still outstanding. The District used these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

**TRIMBLE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**Net Position for the periods ending June 30, 2017 and 2016
(Table 1)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Current and Other Assets	\$ 1,899,149	\$ 2,399,265	\$ 94,620	\$ 64,791	\$ 1,993,769	\$ 2,464,056
Capital Assets	21,974,196	22,916,866	140,863	163,279	22,115,059	23,080,145
Total Assets	23,873,345	25,316,131	235,483	228,070	24,108,828	25,544,201
Deferred Outflows	960,804	743,513	122,042	28,580	1,082,846	772,093
Long-term Debt	12,793,254	13,732,708	581,771	139,641	13,375,025	13,872,349
Other Liabilities	1,037,222	1,341,162	6,132	7,848	1,043,354	1,349,010
Total Liabilities	13,830,476	15,073,870	587,903	147,489	14,418,379	15,221,359
Deferred Inflows	149,348	118,598	24,440	4,559	173,788	123,157
Net Position						
Net investment in capital assets	12,292,166	12,206,866	140,863	163,279	12,433,029	12,370,145
Restricted	96,072	100,130			96,072	100,130
Unrestricted	(1,533,913)	(1,439,820)	(395,681)	(58,677)	(1,929,594)	(1,498,497)
Total Net Position	\$ 10,854,325	\$ 10,867,176	\$ (254,818)	\$ 104,602	\$ 10,599,507	\$ 10,971,778

Comments on Budget Comparisons

- The District's total General Fund revenues for the fiscal year ended June 30, 2007, net of inter-fund transfers were \$10,767,346.
- General fund budget compared to actual revenue varied from line item to line item with the ending actual balance being \$340,493 more than budgeted.
- General fund budget expenditures to actual expenditures varied from line item to line item with the actual balance being \$1,249,815 less than budgeted including a contingency of \$1,235,969.

**TRIMBLE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

The following Table 2 presents a summary of changes in net position for the fiscal years ended June 30, 2017 and 2016.

	Changes in Net Position					
	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
REVENUES:						
Program revenues:						
Charges for services	\$ 15,964	\$ 24,975	\$ 191,636	\$ 255,217	\$ 207,600	\$ 280,192
Operating grants and contributions	7,054,443	5,769,803	736,236	670,201	7,790,679	6,440,004
Capital grants	754,053	776,266	-	-	754,053	776,266
General revenues:						
Property taxes	3,627,957	3,436,624	-	-	3,627,957	3,436,624
Motor vehicle taxes	344,740	291,634	-	-	344,740	291,634
Utility taxes	367,135	383,764	-	-	367,135	383,764
Gain on disposal of capital assets		18,757	2,500	-	2,500	18,757
Investment earnings	16,615	16,955	295	98	16,910	17,053
State and formula grants	4,443,511	4,786,386	-	-	4,443,511	4,786,386
Miscellaneous	140,201	158,122	-	-	140,201	158,122
Total revenues	<u>16,764,619</u>	<u>15,663,286</u>	<u>930,667</u>	<u>925,516</u>	<u>17,695,286</u>	<u>16,588,802</u>
EXPENSES						
Program Activities						
Instruction	11,224,303	10,606,350	-	-	11,224,303	10,606,350
Student support	677,075	816,026	-	-	677,075	816,026
Instructional staff support	745,363	652,814	-	-	745,363	652,814
District administrative support	552,980	780,226	-	-	552,980	780,226
School administrative support	748,547	816,478	-	-	748,547	816,478
Business support	639,520	629,645	-	-	639,520	629,645
Plant operation and maintenance	1,260,735	1,358,503	-	-	1,260,735	1,358,503
Student transportation	1,024,595	807,344	-	-	1,024,595	807,344
Community service activities	164,823	152,432	-	-	164,823	152,432
Other	25,405	11,206	-	-	25,405	11,206
Interest costs	259,392	303,941	-	-	259,392	303,941
Business-type Activities:						
Food service	-	-	903,197	1,020,103	903,197	1,020,103
After school care	-	-	37,331	24,046	37,331	24,046
Total expenses	<u>17,322,738</u>	<u>16,934,965</u>	<u>940,528</u>	<u>1,044,149</u>	<u>18,263,266</u>	<u>17,979,114</u>
Transfers	<u>-</u>	<u>(79,541)</u>	<u>-</u>	<u>79,541</u>	<u>-</u>	<u>-</u>
Change in net position	<u>\$ (558,119)</u>	<u>\$ (1,351,220)</u>	<u>\$ (9,861)</u>	<u>\$ (39,092)</u>	<u>\$ (567,980)</u>	<u>\$ (1,390,312)</u>

Governmental Activities

Instruction comprises 65% of governmental program expenses. Support services expenses make up 34% of government expenses. The remaining expense for community services, interest and other expense accounts for the remaining 1% of total government expense.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**TRIMBLE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

		Governmental Activities			
		Total Cost of Services		Net Cost of Services	
		<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Instruction	\$ 11,224,303	\$ 10,606,350	\$ 5,124,482	\$ 4,352,306	
Support Services	5,648,615	5,861,036	4,830,672	5,909,125	
Community services	164,823	152,432	18,311	5,099	
Facilities acquisition	-	-	(270,542)	(608,224)	
Other	25,405	11,206	19,474	19,474	
Interest costs	259,392	303,941	(224,119)	(181,760)	
Total Expenses	<u>\$ 17,322,538</u>	<u>\$ 16,934,965</u>	<u>\$ 9,498,278</u>	<u>\$ 9,496,020</u>	

Business-Type Activities

The business-type activities include the food service and after school care operations. These programs had total revenues of \$930,667 and expenses of \$940,528 for fiscal year 2017. Of the revenues, \$191,636 was charges for services, \$736,236 was from State and Federal grants, \$2,500 was from disposal of capital assets and \$295 was from investment earnings. Business activities receive no support from tax revenues. The School District will continue to monitor the charges and costs of this activity. If it becomes necessary, the School District will increase the charges for this activity.

The School District's Funds

Information about the School District's major funds starts on page 13. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$13.8 million and expenditures and other financing uses of \$14.1 million.

General Fund-Budget Highlights

The School District's budget is prepared according to Kentucky law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund. The State Department of Education requires a zero-based budget with any budgeted remaining fund balance shown as a contingency expense in the budget process.

For the General Fund, revenues were budgeted at \$10.4 million with actual amounts of \$10.8 million. Budgeted expenditures of \$12.2 million compare with actual expenditures of 10.9 million. This was primarily due not spending budgeted contingency funds.

**TRIMBLE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2017 the School District had \$22.1 million invested in land, land improvements, buildings, vehicles and equipment and \$21.9 million in governmental activities. Table 4 shows fiscal year 2017 and 2016 balances.

**(Table 4)
Capital Assets at June 30, 2017 and 2016
(Net of Depreciation)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Land and land improvements	\$ 4,225,868	\$ 4,473,045	\$ -	\$ -	\$ 4,225,868	\$ 4,473,045
Buildings and improvements	16,889,256	17,389,797	-	-	16,889,256	17,389,797
Technology	122,548	153,733	-	-	122,548	153,733
Vehicles	577,801	722,848	-	-	577,801	722,848
General equipment	158,723	177,443	140,863	163,279	299,586	340,722
Total	<u>\$21,974,196</u>	<u>\$22,916,866</u>	<u>\$ 140,863</u>	<u>\$ 163,279</u>	<u>\$22,115,059</u>	<u>\$23,080,145</u>

Table 5 shows changes in capital assets for the years ended June 30, 2017 and 2016.

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Beginning balance	\$22,916,866	\$22,225,986	\$ 163,279	\$ 187,427	\$23,080,145	\$22,413,413
Additions	183,538	2,033,051	-	-	183,538	2,033,051
Retirements	(81,377)	(280,584)	-	-	(81,377)	(280,584)
Depreciation	(1,044,831)	(1,061,587)	(22,416)	(24,148)	(1,067,247)	(1,085,735)
Ending balance	<u>\$21,974,196</u>	<u>\$22,916,866</u>	<u>\$ 140,863</u>	<u>\$ 163,279</u>	<u>\$22,115,059</u>	<u>\$23,080,145</u>

Debt

At June 30, 2017, the School District had \$9.9 million in bonds outstanding, of this amount \$4.828.3 million is to be paid from KSFCC funding provided by the State of Kentucky. A total of \$800 thousand is due within one year.

**TRIMBLE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

DISTRICT CHALLENGES FOR THE FUTURE AND BUDGETARY IMPLICATIONS

In Kentucky the public school fiscal year is July 1 – June 30; other programs, i.e. some federal programs operate on a different fiscal calendar, but are reflected in the district overall budget. By law the budget must have a minimum 2% contingency. The district adopted a budget with \$1,235,969 in contingency. The beginning cash balance for the fiscal year is \$1,671,917.

Many of the program grants are continuation programs that we have become reliant on to service our students. However, decreases in the grants and the added burden of health insurance costs and matching retirement for employees paid from the federal grants have significantly reduced the dollars available for teacher salaries and other program support.

Questions regarding this report should be directed to Steve Miracle, Superintendent, or to Phillip Harmon, Finance Officer, at 502-255-3201, pharmon@trimble.k12.ky.us or by mail at P. O. Box 275, Bedford, KY 40006.

BASIC FINANCIAL STATEMENTS

TRIMBLE COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2017

Assets	Governmental Activities	Business- Type Activities	Total
Current Assets			
Cash and cash equivalents	\$ 1,598,004	\$ 73,013	\$ 1,671,017
Inventory		18,104	18,104
Receivables:			
Accounts		3,503	3,503
Taxes-current	93,708		93,708
Taxes-delinquent	15,405		15,405
Other receivables	26,079		26,079
Intergovernmental-Indirect Federal	165,953		165,953
Total Current Assets	1,899,149	94,620	1,993,769
Noncurrent Assets			
Non-depreciable capital assets	422,720		422,720
Capital assets, net of accumulated depreciation	21,551,476	140,863	21,692,339
Total Noncurrent Assets	21,974,196	140,863	22,115,059
Total Assets	23,873,345	235,483	24,108,828
Deferred Outflows of Resources			
Deferred amount on debt refundings	215,024		215,024
CERS	745,780	122,042	867,822
Total Deferred Outflows of Resources	960,804	122,042	1,082,846
Liabilities			
Current Liabilities			
Accounts payable	16,913	6,132	23,045
Accrued payroll and related expenses	133,319		133,319
Unearned revenue	4,621		4,621
Bond obligations	800,000		800,000
Compensated absences	15,678		15,678
Interest payable	66,691		66,691
Total Current Liabilities	1,037,222	6,132	1,043,354
Noncurrent Liabilities			
Bond obligations	9,097,054		9,097,054
Net pension liability - CERS	3,555,097	581,771	4,136,868
Compensated absences	141,103		141,103
Total Noncurrent Liabilities	12,793,254	581,771	13,375,025
Total Liabilities	13,830,476	587,903	14,418,379
Deferred Inflows of Resources			
CERS	149,348	24,440	173,788
Total Deferred Inflows of Resources	149,348	24,440	173,788
Net Position			
Net investment in capital assets	12,292,166	140,863	12,433,029
Restricted	96,072		96,072
Unrestricted	(1,533,913)	(395,681)	(1,929,594)
Total Net Position	\$ 10,854,325	\$ (254,818)	\$ 10,599,507

The notes to the financial statements are an integral part of this statement.

TRIMBLE COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2017

FUNCTIONS/PROGRAMS

Governmental Activities:

	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges For Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Total
Instruction	\$ 11,224,303	\$ 15,964	\$ 6,083,857	\$ -	\$ (5,124,482)	\$ -	\$ (5,124,482)
Support services:							
Student	677,075		188,050		(489,025)		(489,025)
Instruction staff	745,363		182,997		(562,366)		(562,366)
District administrative	552,980		39,620		(513,360)		(513,360)
School administrative	748,547		161,265		(587,282)		(587,282)
Business	639,520		97,370		(542,150)		(542,150)
Plant operation and maintenance	1,260,735		58,401		(1,202,334)		(1,202,334)
Student transportation	1,024,595		90,440		(934,155)		(934,155)
Community service activities	164,823		146,512		(18,311)		(18,311)
Facilities acquisition and construction				270,542	270,542		270,542
Other	25,405		5,931		(19,474)		(19,474)
Interest on long-term debt	259,392			483,511	224,119		224,119

Total Governmental Activities

Business-Type Activities:

Food service	903,197	162,181	732,934			(8,082)	(8,082)
After School Care	37,331	29,455	3,302			(4,574)	(4,574)

Total Business-Type Activities

Total Primary Government

	\$ 18,263,266	\$ 207,600	\$ 7,790,679	\$ 754,053	(9,498,278)	(12,656)	(9,510,934)
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General Revenues:

Taxes:

Property taxes	3,627,957						3,627,957
Motor vehicle taxes	344,740						344,740
Utility taxes	367,135						367,135
Investment earnings	16,615					295	16,910
Gain on disposal of capital assets						2,500	2,500
State and formula grants	4,443,511						4,443,511
Miscellaneous	140,201						140,201

Total general revenues

	8,940,159					2,795	8,942,954
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Change in net position

	(558,119)					(9,861)	(567,980)
--	-----------	--	--	--	--	---------	-----------

Net position - beginning

	10,867,176					104,602	10,971,778
--	------------	--	--	--	--	---------	------------

Restatement

	545,268					(349,559)	195,709
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Net position - beginning, as restated

	11,412,444					(244,957)	11,167,487
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Net position - ending

	\$ 10,854,325					\$ (254,818)	\$ 10,599,507
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The notes to the financial statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

TRIMBLE COUNTY SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2017

	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and cash equivalents	\$ 1,540,297	\$ -	\$ 57,707	\$ 1,598,004
Due from other funds	143,650			143,650
Receivables:				
Taxes - current	93,708			93,708
Taxes - delinquent	15,405			15,405
Other receivables	26,079			26,079
Intergovernmental - Indirect Federal		165,953		165,953
Total Assets	<u>\$ 1,819,139</u>	<u>\$ 165,953</u>	<u>\$ 57,707</u>	<u>\$ 2,042,799</u>
Liabilities and Fund Balances:				
Liabilities				
Accounts payable	\$ 16,913	\$ -	\$ -	\$ 16,913
Accrued payroll and related expenses	133,319			133,319
Due to other funds		143,650		143,650
Unearned revenue		4,621		4,621
Total Liabilities	150,232	148,271	-	298,503
Fund Balances				
Restricted	78,390	17,682		96,072
Assigned	14,893		57,707	72,600
Unassigned	1,575,624			1,575,624
Total Fund Balances	<u>1,668,907</u>	<u>17,682</u>	<u>57,707</u>	<u>1,744,296</u>
Total Liabilities and Fund Balances	<u>\$ 1,819,139</u>	<u>\$ 165,953</u>	<u>\$ 57,707</u>	<u>\$ 2,042,799</u>

The notes to the financial statements are an integral part of this statement.

TRIMBLE COUNTY SCHOOL DISTRICT

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

June 30, 2017

Total fund balance per fund financial statements	\$ 1,744,296
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position.	21,974,196
Governmental funds record debt refundings as other financing uses when the issues are refunded. Unamortized losses on refundings are reported on the statement of net position as deferred outflows of resources.	215,024
Governmental funds do not record deferred outflows of resources for pensions but those are reported in the statement of net position as deferred outflows of resources.	745,780
Governmental funds do not record deferred inflows of resources for pensions but those are reported in the statement of net position as deferred inflows of resources.	(149,348)
Certain liabilities are not reported in this fund financial statement because because they are not due and payable, but they are presented in the statement of net position:	
Bonds payable (net of discounts/premiums)	(9,897,054)
Interest payable	(66,691)
Compensated absences	(156,781)
Net pension liability - CERS	<u>(3,555,097)</u>
Net position for governmental activities	<u><u>\$ 10,854,325</u></u>

The notes to the financial statements are an integral part of this statement.

TRIMBLE COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS

Year Ended June 30, 2017

	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
From local sources:				
Taxes:				
Property	\$ 3,360,973	\$ -	\$ 266,984	\$ 3,627,957
Motor vehicle	309,364		35,376	344,740
Utilities	367,135			367,135
Tuition	19,578	2,800		22,378
Earnings on investments	15,964	300	351	16,615
Other local revenues	32,283	6,010	107,918	146,211
Intergovernmental - State	6,577,510	402,343	754,053	7,733,906
Intergovernmental - Indirect Federal	84,539	844,516		929,055
Total Revenues	10,767,346	1,255,969	1,164,682	13,187,997
Expenditures:				
Instruction	6,155,182	1,049,927	38,327	7,243,436
Support services:				
Student	473,052	105,521	522	579,095
Instruction staff	624,593		11,362	635,955
District administrative	552,227			552,227
School administrative	736,864			736,864
Business	613,640			613,640
Plant operation and maintenance	993,259			993,259
Student transportation	820,928	10,248		831,176
Community service activities	5,704	146,152		151,856
Other non-instruction		5,931		5,931
Facilities acquisition and construction	19,474		45,123	64,597
Debt service:				
Principal			810,000	810,000
Interest			229,686	229,686
Total Expenditures	10,994,923	1,317,779	1,135,020	13,447,722
Excess (Deficit) of Revenues over Expenditures	(227,577)	(61,810)	29,662	(259,725)
Other Financing Sources (Uses):				
Proceeds from sale of capital assets	534			534
Transfers in		24,472	599,041	623,513
Transfers out	(49,126)		(574,387)	(623,513)
Total Other Financing Sources (Uses)	(48,592)	24,472	24,654	534
Net Change in Fund Balances	(276,169)	(37,338)	54,316	(259,191)
Fund Balance, July 1, 2016, as previously reported	1,945,074	-	1,134	1,946,208
Restatement		55,020	2,257	57,277
Fund Balance, July 1, 2016, as restated	1,945,074	55,020	3,391	2,003,485
Fund Balance, June 30, 2017	\$ 1,668,905	\$ 17,682	\$ 57,707	\$ 1,744,294

The notes to the financial statements are an integral part of this statement.

TRIMBLE COUNTY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2017

Net change in total fund balances per fund financial statements	\$ (259,191)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which depreciation expense exceeds capital outlays for the year.	(906,416)
Bond payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net position.	810,000
Receivables that were recorded as revenues in the statement of activities in the prior year do not provide current financial resources but are reported as revenues in the funds.	
In the statement of activities, only the gain (loss) on sale of fixed assets is reported, whereas in the governmental funds, the proceeds for the sale increased financial resources.	(36,254)
The difference between actuarial pension contributions to CERS and actual contributions made are recorded as adjustments in the statement of activities.	(201,874)
Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.	<u>35,616</u>
Change in net position of governmental activities	<u>\$ (558,119)</u>

The notes to the financial statements are an integral part of this statement.

TRIMBLE COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

June 30, 2017

	Food Service Fund	After School Care Fund	Total
Assets			
<u>Current Assets</u>			
Cash and cash equivalents	\$ 28,643	\$ 44,370	\$ 73,013
Accounts receivable	3,503		3,503
Inventory	18,104		18,104
Total Current Assets	50,250	44,370	94,620
<u>Noncurrent Assets</u>			
Capital assets, net of accumulated depreciation	140,863		140,863
Total Noncurrent Assets	140,863	-	140,863
Total Assets	191,113	44,370	235,483
Deferred Outflows of Resources			
CERS	112,972	9,070	122,042
Total Deferred Outflows of Resources	112,972	9,070	122,042
Liabilities			
<u>Current Liabilities</u>			
Accounts payable	6,132		6,132
Total Current Liabilities	6,132	-	6,132
<u>Noncurrent Liabilities</u>			
Net pension liability - CERS	538,533	43,238	581,771
Total Noncurrent Liabilities	538,533	43,238	581,771
Total Liabilities	544,665	43,238	587,903
Deferred Inflows of Resources			
CERS	22,624	1,816	24,440
Total Deferred Inflows of Resources	22,624	1,816	24,440
<u>Net Position</u>			
Net investment in capital assets	140,863		140,863
Unrestricted	(404,067)	8,386	(395,681)
Total Net Position	\$ (263,204)	\$ 8,386	\$ (254,818)

The notes to the financial statements are an integral part of this statement.

TRIMBLE COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

PROPRIETARY FUNDS

Year Ended June 30, 2017

	Food Service Fund	After School Care Fund	Total
Operating Revenues:			
Lunchroom sales	\$ 148,208	\$ -	\$ 148,208
Other operating revenues	13,973	29,455	43,428
Total Operating Revenues	162,181	29,455	191,636
Operating Expenses:			
Salaries and wages	399,409	36,988	436,397
Materials and supplies	419,827	343	420,170
Depreciation	22,416		22,416
Other operating expenses	61,545		61,545
Total Operating Expenses	903,197	37,331	940,528
Operating loss	(741,016)	(7,876)	(748,892)
Non-Operating Revenues (Expenses):			
Federal grants	585,545		585,545
Donated commodities	57,654		57,654
State grants	7,254		7,254
State on-behalf payments	82,481	3,302	85,783
Gain (loss) on disposal of equipment	2,500		2,500
Interest income	295		295
Total Non-Operating Revenues (Expenses)	735,729	3,302	739,031
Changes in net position	(5,287)	(4,574)	(9,861)
Net Position, July 1, 2016, as previously reported	73,017	31,585	104,602
Restatement	(330,934)	(18,625)	(349,559)
Net Position, July 1, 2016, as restated	(257,917)	12,960	(244,957)
Net Position June 30, 2017	<u>\$ (263,204)</u>	<u>\$ 8,386</u>	<u>\$ (254,818)</u>

The notes to the financial statements are an integral part of this statement.

TRIMBLE COUNTY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

Year Ended June 30, 2017

	Food Service Fund	After School Care Fund	Total
Cash Flows from Operating Activities			
Cash received from:			
Lunchroom sales	\$ 144,912	\$ -	\$ 144,912
Other activities	13,973	29,496	43,469
Cash paid to/for:			
Employees	308,781	22,843	331,624
Supplies	363,151	343	363,494
Other activities	61,545		61,545
Net Cash Provided (Used) by Operating Activities	(574,592)	6,310	(568,282)
Cash flows from Non-Capital Financing Activities			
Federal grants	591,808		591,808
State grants	7,254		7,254
Net Cash Provided by Non-Capital Financing Activities	599,062	-	599,062
Cash Flows from Capital and Related Financing Activities			
Sale of capital assets	2,500		2,500
Net Cash Provided by Capital and Related Financing Activities	2,500	-	2,500
Cash Flows from Investing Activities			
Receipt of interest income	295		295
Net increase (decrease) in cash and cash equivalents	27,265	6,310	33,575
Balances, beginning of year	1,378	38,060	39,438
Balances, end of year	\$ 28,643	\$ 44,370	\$ 73,013
Reconciliation of operating loss to net cash used by operating activities:			
Operating loss	\$ (741,016)	\$ (7,876)	\$ (748,892)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Depreciation	22,416		22,416
State on-behalf payments	82,481	3,302	85,783
Donated commodities	57,654		57,654
GASB 68 pension expense	8,147	10,843	18,990
Change in assets and liabilities:			
Accounts receivable	(3,296)		(3,296)
Inventory	738		738
Accounts payable	(1,716)		(1,716)
Net cash provided (used) by operating activities	\$ (574,592)	\$ 6,269	\$ (568,323)
Schedule of non-cash transactions:			
Donated commodities received from federal government	\$ 57,654	\$ -	\$ 57,654
State on-behalf payments	\$ 82,481	\$ 3,302	\$ 85,783
CERS Pensions	\$ 8,147	\$ 10,843	\$ 18,990

The notes to the financial statements are an integral part of this statement.

TRIMBLE COUNTY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

June 30, 2017

	Private Purpose Trust Funds	Agency Fund
Assets		
Cash and cash equivalents	\$ 27,652	\$ 115,829
Receivables	4,601	
Total Assets	<u>32,253</u>	<u>115,829</u>
Liabilities		
Accounts payable	500	12,099
Due to student groups		103,730
Total Liabilities	<u>500</u>	<u>115,829</u>
Net Position Held in Trust	<u>\$ 31,753</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

TRIMBLE COUNTY SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY FUNDS

Year Ended June 30, 2017

	Private Purpose Trust Funds
Additions	
Net interest and investment gains (losses)	\$ 33
Contributions and student activities	54,220
	<u>54,253</u>
Deductions	
Instruction	33,263
Community services	33,560
	<u>66,823</u>
Change in net position	(12,570)
Net Position, July 1, 2016	<u>44,323</u>
Net Position, June 30, 2017	<u><u>\$ 31,753</u></u>

The notes to the financial statements are an integral part of this statement.

NOTES TO THE BASIC FINANCIAL STATEMENTS

TRIMBLE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Trimble County School District (the "District") have been prepared to conform with Accounting Principles Generally Accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

A. REPORTING ENTITY

The Trimble County Board of Education ("Board"), a five-member group, is the level of government, which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of Trimble County School District. Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies, which may influence operations and primary accountability for fiscal matters.

For financial reporting purposes, the accompanying financial statements include all of the operations over which the District is financially accountable. The District is financially accountable for organizations that make up its legal entity, as well as legally separate organizations that meet certain criteria. In accordance with GASB 14, "The Financial Reporting Entity," as amended by GASB 39, "Determining Whether Certain Organizations Are Component Units", the criteria for inclusion in the reporting entity involve those cases where the District or its officials appoint a voting majority of an organization's governing body, and is either able to impose its will on the organization or there is a potential for the organization to provide specific financial benefits to or to impose specific financial burdens on the District or the nature and significance of the relationship between the District and the organization is such that exclusion would cause the District's financial statements to be incomplete. Applying this definition, District management has determined that the component unit reportable within the accompanying financial statements is the Trimble County Board of Education Finance Corporation, (the "Corporation"). The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Boosters, Parent-Teacher Associations, etc.

Blended Component Unit – Trimble County School District Finance Corporation – In a prior year, the Board of Education resolved to authorize the establishment of the Trimble County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) (the "Corporation") as an agency for the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation's Board of Directors. Therefore, the financial activities of the Corporation have been blended (reported as if it were part of the District) with those of the District. The Corporation does not publish individual component unit financial statements.

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government, except for Fiduciary Funds.

TRIMBLE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of net position presents the financial condition of the governmental and business-type activities of the District at year-end. The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The Governmental Funds are accounted for on the "flow of current financial resources" measurement focus. This measurement focus is based on the concept of accountability, which includes measuring interperiod equity whether current year revenues were sufficient to pay for current year services. The Proprietary Funds are accounted for on an "economic resources" measurement focus. Accordingly, the Statement of Revenues, Expenses and Changes in Fund Net Position for the Proprietary Funds reports increases and decreases in total economic net worth. The private purpose trust fund is reported using the economic resources measurement focus.

Governmental Funds

Governmental Funds are those through which most District functions are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in the Proprietary Fund and Fiduciary Funds) are accounted for through Governmental Funds. The measurement focus is upon determination of changes in financial resources rather than upon determination of net income.

- (A) The General Fund is the main operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund.

TRIMBLE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

- (B) The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund.
- (C) The District Activity Fund is a Special Revenue Fund type and is used to account for funds received at the school level.
- (D) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).
 - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan.
 - 2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
 - 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.
- (E) The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal and interest and related costs; and for the payment of interest on notes payable, as required by Kentucky Law.

Proprietary Funds

Proprietary Funds are used to account for ongoing organizations and activities, which are operated and financed in a manner similar to those found in the private sector. The measurement focus is upon the determination of net income. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's principal ongoing operations. Operating expenses include salaries, benefits, supplies and other items. All items not meeting this definition are reported as nonoperating revenues and expenses. The District has two Proprietary Funds.

- (A) The Food Service Fund is used to account for school food service activities, including the National School Lunch and Breakfast Programs, which are conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA and for on-behalf payments for retirement and health insurance paid by the State of Kentucky. This is a major fund.
- (B) The After School Care Fund accounts for the daycare operations of the District. Amounts have been recorded for on-behalf payments for retirement and health insurance paid by the State of Kentucky.

TRIMBLE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fiduciary Funds

Fiduciary Funds are used to account for assets held by the District on behalf of outside related organizations or on behalf of other funds within the District.

- A. The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.
- B. The Private Purpose Trust Funds are used to report trust arrangements under which principal and income benefit individuals, private organizations or other governments. Revenues consist of donations, student activities and interest income. Expenditures represent instruction and community services.

BASIS OF ACCOUNTING

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Modified Accrual

Under the modified accrual basis, revenues are recognized in the accounting period in which they become susceptible to accrual, i.e., both available and measurable. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Significant revenues susceptible to accrual include ad valorem taxes, reimbursable-type grants and interest on investments. The District considers all revenues (with the exception of the expenditure-driven grants) as available if they are collected within sixty (60) days after year-end. The expenditure driven grants are considered available if received within one year from the balance sheet date. Property tax revenue is recognized when taxes are received, except at year end when revenue is recognized for taxes received by the District within sixty (60) days subsequent to fiscal year end. Expenditures are recognized in the accounting period in which the liability is incurred. However, exceptions include the amount of unmatured principal and interest on general long-term debt, compensated absences, claims and judgments and certain prepaids which are recognized when due/paid.

In applying the susceptible to accrual concept to revenues from Federal and State sources, the legal contractual requirements of the numerous individual programs are used as guidance. Revenue from grants and entitlements is recognized when all eligibility requirements have been satisfied. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before the District will receive any amounts; therefore, revenues are recognized based upon the occurrence of expenditures. In the other type, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed legal and contractual requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met. In all cases, monies received before the revenue recognition criteria have been met are reported as unearned revenue.

TRIMBLE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Accrual

Under the accrual basis of accounting, revenues are recognized in the period earned and expenses are recognized in the period incurred.

Revenue Recognition

State Revenue Sources – Revenues from State sources for current operations are primarily from the Support Education Excellence in Kentucky (“SEEK”), administered by the Kentucky Department of Education (“KDE”). The District files reports on average daily attendance (“ADA”) student membership with the KDE. The KDE accumulates information from these reports and calculates the allocation of SEEK funds to the District. After review and verification of ADA reports and supporting documentation, the KDE may adjust subsequent fiscal period allocations of SEEK funding. Normally, such adjustments are treated as reductions of revenue in the year the reduction is made, as amounts are not significant.

Property Taxes – On an accrual basis, property tax revenue anticipated to be collected is recognized in the fiscal year for which it is levied. Delinquent taxes collected in subsequent periods are recognized as revenue during the fiscal year in which they are received.

When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, and then unrestricted resources as they are needed.

C. BUDGETARY POLICIES

Budgetary Process

Budgetary Basis of Accounting: The District’s budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. All budget appropriations lapse at year-end.

D. ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded to reserve a portion of an applicable appropriation, is utilized for budgetary control purposes. Encumbrances are not the equivalent of expenditures, and accordingly, amounts assigned for encumbrances at the governmental fund level indicate that portion of the fund balance segregated for expenditure upon vendor performance.

TRIMBLE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

E. CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, cash equivalents are considered to be demand deposits, money market funds, and other investments with an original maturity of 90 days or less.

F. INVENTORIES

Inventories are valued at cost, which approximates market. The food service fund uses the specific identification method. The District's inventories include food and commodities. USDA commodities received from the Federal government are recorded at the value established by the Federal government using the average cost method.

G. PREPAID ITEMS

Expenditures for insurance and similar services extending over more than one accounting period are not allocated between or among accounting periods in the governmental funds and are instead accounted for as expenditures in the period of acquisition (Purchase method).

H. CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds. All capital assets greater than \$5,000 are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District does not possess any infrastructure. Improvements are capitalized; the cost of, normal maintenance and repairs that do not add to the value of the asset or materially extend an assets' life are not. All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	20 years
Buildings and improvements	25-50 years
Technology equipment	5 years
Vehicles	5-10 years
General equipment	5-15 years
Food service equipment	5-12 years

TRIMBLE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

I. LONG-TERM DEBT

In the fund-level financial statements, governmental funds report the face amount of debt issued, as well as any premiums (discounts) as other financing sources (uses). Debt issuance costs are reported as debt service expenditures. In the government-wide financial statements, long-term debt is reported as liabilities in the statement of net position. Bond premiums/discounts are amortized over the life of the bonds while deferred loss on advance refundings are amortized over the shorter of the remaining life of the refunded bonds or the life of the new bonds both in a systematic and rational method, which approximates the effective-interest method.

J. COMPENSATED ABSENCES

Compensated absences are payments to employees for accumulated sick leave. These amounts also include the related employer's share of applicable taxes and retirement contributions. District employees may accumulate unused sick leave up to a specified amount depending on their date of hire. Sick leave is payable to employees upon termination or retirement at 30% of the current rate of pay on the date of termination or retirement. The District uses the termination method to calculate the compensated absences amounts. The entire compensated absence liability is reported on the government-wide financial statements. The current portion is the amount estimated to be used in the following year. An expenditure is recognized in the governmental fund as payments come due each period, for example, as a result of employee resignations and retirements. Compensated absences not recorded at the fund level represent a reconciling item between the fund level and government-wide presentations.

K. ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the District's management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

L. IMPACT OF RECENTLY ISSUED ACCOUNTING PRINCIPLES

Recently Issued And Adopted Accounting Principles

In June 2015, the GASB issued Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This statement is effective for periods beginning after June 15, 2016. This statement was adopted during the fiscal year ended June 30, 2017 and did not have an impact on the District's financial statements.

In June 2015, the GASB issued Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This statement is effective for periods beginning after June 15, 2016. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In August 2015, the GASB issued Statement 77, *Tax Abatement Disclosures*. This statement is effective for periods beginning after December 15, 2015. This statement was adopted during the fiscal year ended June 30, 2017 and did not have an impact on the District's financial statements.

TRIMBLE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

In December 2015, the GASB issued Statement 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. This statement is effective for periods beginning after December 15, 2015. This statement was adopted during the fiscal year ended June 30, 2017 and did not have an impact on the District's financial statements.

In January 2016, the GASB issued Statement 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement 14*. This statement is effective for periods beginning after June 15, 2016. This statement was adopted during the fiscal year ended June 30, 2017 and did not have an impact on the District's financial statements.

In March 2016, the GASB issued Statement 81, *Irrevocable Split-Interest Agreements*. This statement is effective for periods beginning after December 15, 2016. This statement was adopted during the fiscal year ended June 30, 2017 and did not have an impact on the District's financial statements.

Recently Issued Accounting Pronouncements

In March 2016, the GASB issued Statement 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68 and No. 72*. This statement is effective for periods beginning after June 15, 2016 except for the requirements of the Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In November 2016, the GASB issued Statement 83, *Certain Asset Retirement Obligations*. This statement is effective for periods beginning after June 15, 2018. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In January 2017, the GASB issued Statement 84, *Fiduciary Activities*. This statement is effective for periods beginning after December 15, 2018. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In March 2017, the GASB issued Statement 85, *Omnibus 2017*. This statement is effective for periods beginning after June 15, 2017. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In May 2017, the GASB issued Statement 86, *Certain Debt Extinguishment Issues*. This statement is effective for periods beginning after June 15, 2017. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In June 2017, the GASB issued Statement 87, *Leases*. This statement is effective for periods beginning after December 15, 2019. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

TRIMBLE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE 2 – PROPERTY TAXES

Property Tax Revenues – Property taxes are normally levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund. The usual collection date is the period from November 1 through December 31. Property tax bills paid prior to December 1 receive a two percent discount. Property taxes received after December 31, are considered to be delinquent and the County Attorney can file a lien against the property. The property tax rates assessed for the year ended June 30, 2017, to finance operations were \$.669 per \$100 valuation for real property, \$.669 per \$100 valuation for business personal property and \$.554 per \$100 valuation for motor vehicles.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the county, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial and mixed gas.

NOTE 3 – DEPOSITS

Deposits

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy is to have all deposits secured by pledged securities. At June 30, 2017, 1,773,934 of the District's bank balance of \$2,148,441 was exposed to custodial credit risk. The bank balance not covered by depository insurance was collateralized by securities held by the pledging financial institution.

NOTE 4 – INTERFUND ACTIVITIES

The following transfers were made during the year:

From Fund	To Fund	Purpose	Amount
General	Special Revenue	Grants	\$ 24,472
General	Nonmajor Governmental	Construction	24,654
Nonmajor Governmental	Nonmajor Governmental	Construction	20,469
Nonmajor Governmental	Debt Service	Debt Payments	553,918

Also, at June 30, 2017, the Special Revenue Fund owed the General Fund \$143,650 for items paid by the General Fund.

TRIMBLE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2017

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

Governmental Activities	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Capital Assets Not Being Depreciated:				
Land	\$ 422,720	\$ -	\$ -	\$ 422,720
Construction in progress	-	45,123	(45,123)	-
Total Capital Assets Not Being Depreciated	422,720	45,123	(45,123)	422,720
Depreciable Assets:				
Land improvements	4,942,932		(26,663)	4,916,269
Buildings and improvements	25,789,255	45,123	(27,460)	25,806,918
Technology equipment	1,041,527	93,292	(165,799)	969,020
Vehicles	2,392,592		(124,788)	2,267,804
General equipment	458,186		(52,175)	406,011
Total Capital Assets Being Depreciated at Historical Cost	34,624,492	138,415	(396,885)	34,366,022
Less Accumulated Depreciation For:				
Land improvements	892,607	238,883	(18,369)	1,113,121
Buildings and improvements	8,399,458	545,664	(27,460)	8,917,662
Technology equipment	887,794	97,920	(139,242)	846,472
Vehicles	1,669,744	145,047	(124,788)	1,690,003
General equipment	280,743	17,317	(50,772)	247,288
Total accumulated depreciation	12,130,346	1,044,831	(360,631)	12,814,546
Total Other Capital Assets, net	22,494,146	(906,416)	(36,254)	21,551,476
Governmental Activities Capital Assets - Net	<u>\$ 22,916,866</u>	<u>\$ (861,293)</u>	<u>\$ (81,377)</u>	<u>\$ 21,974,196</u>
Business-Type Activities				
Depreciable Assets:				
Technology equipment	\$ 694	\$ -	\$ (694)	\$ -
Food service equipment	567,854			567,854
Total Capital Assets Being Depreciated at Historical Cost	568,548	-	(694)	567,854
Less Accumulated Depreciation For:				
Technology equipment	694		(694)	-
Food service equipment	404,575	22,416		426,991
Total accumulated depreciation	405,269	22,416	(694)	426,991
Business-Type Activities Capital Assets - Net	<u>\$ 163,279</u>	<u>\$ (22,416)</u>	<u>\$ -</u>	<u>\$ 140,863</u>

Depreciation was charged to governmental functions as follows:

Instruction	\$ 325,207
Student support	201,447
Instructional staff	2,441
District administration	118,396
School administration	30,087
Business support	41
Plant	225,581
Transportation	141,631
	<u>\$ 1,044,831</u>

TRMBLE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE 6 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions and general liability coverage, the District purchases commercial insurance.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 7 – LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2017, is as follows:

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Amounts Due Within One Year
Governmental Activities:					
Bonds Payable:					
Revenue bonds	\$ 10,710,000	\$ -	\$ (810,000)	\$ 9,900,000	\$ 800,000
Add Premium	24,750		(2,062)	22,688	-
Less Discount	(27,058)		1,424	(25,634)	-
Total Bonds Payable	10,707,692	-	(810,638)	9,897,054	800,000
Other Liabilities:					
Compensated absences	222,102		(65,321)	156,781	15,678
Total Other Liabilities	222,102	-	(65,321)	156,781	15,678
Total Governmental Activities Long-Term Liabilities	<u>\$ 10,929,794</u>	<u>\$ -</u>	<u>\$ (875,959)</u>	<u>\$ 10,053,835</u>	<u>\$ 815,678</u>

The debt service fund is primarily responsible for paying the bond obligations through funding from the SEEK capital outlay and FSPK funds. The general fund is primarily responsible for paying compensated absences.

TRIMBLE COUNTY SCHOOL DISTRICT**NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED**

June 30, 2017

NOTE 7 – LONG-TERM LIABILITIES – CONTINUEDBond Liabilities

The original amount of each issue, the issue date, and interest rates are summarized below:

Issue Date	Proceeds	Interest Rates
2007	\$ 6,355,000	3.85%
2010R	4,445,000	1.0% - 3.0%
2012	1,250,000	1.0% - 3.125%
2015	1,425,000	1.0% - 3.5%
2016R	5,040,000	2.0%

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Trimble County School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

The District has “participation agreements” with the Kentucky School Facilities Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

The amount of defeased debt outstanding at June 30, 2017 is \$4,780,000.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2017, for debt service (principal and interest) are as follows:

Year	Principal	Interest	Participation	District's Portion
2018	\$ 800,000	\$ 234,790	\$ 482,127	\$ 552,663
2019	820,000	214,672	480,464	554,208
2020	835,000	194,583	478,521	551,062
2021	850,000	173,906	476,324	547,582
2022	890,000	151,476	483,824	557,652
2023-2027	3,960,000	458,294	1,959,601	2,458,693
2028-2032	1,415,000	130,803	1,057,867	487,936
2033-2035	330,000	19,741	349,741	-
	<u>\$ 9,900,000</u>	<u>\$ 1,578,265</u>	<u>\$ 5,768,469</u>	<u>\$ 5,709,796</u>

TRIMBLE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE 8 – PENSION PLANS

The Trimble County School District participates in the Teachers' Retirement System of the State of Kentucky (TRS), a component unit of the Commonwealth of Kentucky which includes certified employees and the County Employees' Retirement System (CERS), a component unit of the Commonwealth of Kentucky which includes all other employees, both of which are cost-sharing multiple-employer defined benefit plans. TRS, which qualifies as a special funding situation under GASB 68, and CERS provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. TRS is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). Under the provisions of KRS Section 61.645, the Board of Trustees of Kentucky Retirement Systems (KERS) administers the CERS. The TRS and CERS issue a publicly available financial reports that include financial statements and required supplementary information. TRS' report may be obtained at www.ktrs.ky.gov. CERS' report may be obtained at www.kyret.ky.gov.

TRS

Retirement Plan

Benefits Provided

For Members Before July 1, 2008:

Members become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, members must either:

- 1.) Attain age fifty-five (55) and complete five (5) years of Kentucky service, or
- 2.) Complete twenty-seven (27) years of Kentucky service.

Participants that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university members receive monthly payments equal to two percent (2%) (service prior to July 1, 1983) and two and one-half percent (2.5%) (service after July 1, 1983) of their final average salaries for each year of credited service. Non-university members who became members on or after July 1, 2002 will receive monthly benefits equal to two percent (2%) of their final average salary for each year of service if, upon retirement, their total service is less than ten (10) years. New members after July 1, 2002 who retire with ten (10) or more years of total service will receive monthly benefits equal to two and one-half percent (2.5%) of their final average salary for each year of service, including the first ten (10) years. In addition, non-university members who retire July 1, 2004 and later with more than thirty (30) years of service will have their multiplier increased for all years over thirty (30) from two and one-half percent (2.5%) to three percent (3%) to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for members hired on or after that date.

The final average salary is the member's five (5) highest annual salaries except members at least age fifty-five (55) with twenty-seven (27) or more years of service may use their three (3) highest annual salaries. For all members, the annual allowance is reduced by 5% per year from the earlier of age 60 or the date the member would have completed 27 years of service. The minimum annual service allowance for all members is \$440 multiplied by credited service.

TRIMBLE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE 8 – PENSION PLANS – CONTINUED

For Members On or After July 1, 2008:

Members become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, members must either:

- 1.) Attain age sixty (60) and complete five (5) years of Kentucky service, or
- 2.) Complete twenty-seven (27) years of Kentucky service, or
- 3.) Attain age fifty-five (55) and complete ten (10) years of Kentucky service.

The annual retirement allowance for non-university members is equal to: (a) one and seven tenths percent (1.7%) of final average salary for each year of credited service if their service is 10 years or less; (b) two percent (2.0%) of final average salary for each year of credited service if their service is greater than 10 years but no more than 20 years; (c) two and three tenths percent (2.3%) of final average salary for each year of credited service if their service is greater than 20 years but no more than 26 years; (d) two and one half percent (2.5%) of final average salary for each year of credited service if their service is greater than 26 years but no more than 30 years; (e) three percent (3.0%) of final average salary for years of credited service greater than 30 years.

The annual retirement allowance for university members is equal to: (a) one and one-half percent (1.5%) of final average salary for each year of credited service if their service is 10 years or less; (b) one and seven tenths percent (1.7%) of final average salary for each year of credited service if their service is greater than 10 years but no more than 20 years; (c) one and eighty five hundredths percent (1.85%) of final average salary for each year of credited service if their service is greater than 20 years but less than 27 years; (d) two percent (2.0%) of final average salary for each year of credited service if their service is greater than or equal to 27 years.

The final average salary is the member's five (5) highest annual salaries except members at least age fifty-five (55) with twenty-seven (27) or more years of service may use their three (3) highest annual salaries. For all members, the annual allowance is reduced by 6% per year from the earlier of age 60 or the date the member would have completed 27 years of service.

Other Benefits:

The System provides post-employment medical benefits to retirees. The System also provides disability benefits for vested members at the rate of sixty percent (60%) of the final average salary. A life insurance benefit, payable upon the death of a member, is \$2,000 for active contributing members and \$5,000 for retired or disabled members. Cost of living increases are one and one-half percent (1.5%) annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

TRIMBLE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE 8 – PENSION PLANS – CONTINUED

Contributions

Contribution rates are established by Kentucky Revised Statutes. The State contributes 100 percent of school districts' contractually required contributions, which are actuarially determined. Employees are required to contribute 12.855 percent of their annual salary. The school districts' contractually required contribution rate for the year ended June 30, 2017, was 13.105 percent of salaries for members in the plan before July 1, 2008 and 14.105 percent of salaries for members who started their account after June 30, 2008. The District made no contributions to the pension plan for the year ended June 30, 2017.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the District reported no net pension liability because it did not have a proportionate share of the net pension liability. There was no amount recognized by the District as its proportionate share of the net pension liability. The related State share of the net pension liability was \$55,014,161.

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2016, the District's proportion was 0 percent.

For the year ended June 30, 2017, the District recognized pension expense of \$4,481,833 and revenue of \$4,481,833 (\$905,212 in the governmental funds and an additional \$3,576,621 in government-wide activities) for support provided by the State. At June 30, 2017, the District reported no deferred outflows of resources and no deferred inflows of resources related to TRS.

Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50 percent
Salary increases	4.00 – 8.20 percent, including inflation
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with a set back of 1 year for females. The results of the experience study for the period July 1, 2010 - June 30, 2015 will be reflected in the June 30, 2016 valuation and the June 30, 2017 GASB 67 report.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study prepared as of June 30, 2015, submitted to and adopted by the Board on September 19, 2016.

TRIMBLE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE 8 – PENSION PLANS – CONTINUED

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	45%	6.4%
Non U.S. Equity	17%	6.5%
Fixed Income	24%	1.6%
High Yield Bonds	4%	3.1%
Real Estate	4%	5.8%
Alternatives	4%	6.8%
Cash	2%	1.5%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability as of the Measurement Date was 4.20%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 67. It was assumed that Plan member contributions will be made at the current contribution rates and that Employer contributions will be made at statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members until the 2040 plan year and, as a result, the Municipal Bond Index Rate was used in the determination of the single equivalent interest rate (SEIR). Therefore, the long-term expected rate of return of 7.50% on Plan investments was applied to periods through 2039 and the Municipal Bond Index Rate of 3.01% was applied to periods after 2039, resulting in an SEIR of 4.20%. The TPL used last year was determined using a discount rate equal to 4.88%, which was based on a municipal bond index rate of 3.82%. These two amounts are rolled forward to June 30, 2016 using standard roll forward techniques. The roll forward calculation adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year and then applies the assumed interest rate (SEIR) for the year. The difference between the two roll-forward amounts as of June 30, 2016 is the gain or loss due to changes in assumptions and other inputs. In addition, we have determined an expected TPL as of June 30, 2016 based on the TPL roll-forward in the June 30, 2015 GASB 67 report. The difference between this amount and the roll-forward of the actual TPL based on the 4.88% interest rate is reflected as an experience gain or loss for the year.

Sensitivity Of The Net Pension Liability To Changes In The Discount Rate

The District has no proportional share of the net pension liability. The following presents the sensitivity of the System's net pension liability calculated using the discount rate of 4.20 percent, as well as what the System's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.20 percent) or 1-percentage-point higher (5.20 percent) than the current rate:

TRIMBLE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE 8 – PENSION PLANS – CONTINUED

	1% Decrease (3.20%)	Current Discount Rate (4.20%)	1% Increase (5.20%)
System's net pension liability (in thousands)	\$ 37,937,230	\$ 30,924,069	\$ 25,168,197

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position, which has been determined on the same basis as that used by the plan, is available in the separately issued TRS financial report. The financial statements are prepared on the accrual basis of accounting. Member contributions and employer matching contributions are recognized in the fiscal year due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Medical Insurance Plan

Plan Description

In addition to the pension benefits described above, KRS 161.675 requires TRS to provide postretirement healthcare benefits to eligible members and dependents. The TRS medical insurance benefit is a cost-sharing, multiple employer defined benefit plan. Changes made to the medical plan may be made by the TRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

To be eligible for medical benefits, the member must have retired for service or disability. The TRS medical insurance fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the TRS Medicare Eligible Health Plan.

Contributions

The post-employment medical benefit provided by TRS is financed on a pre-funded basis beginning July 1, 2010 with the implementation of the "Shared Responsibility" legislation. In order to fund medical benefits, active member contributions are matched by the state at .75% of members' gross salaries. Beginning July 1, 2010 member contributions to the TRS medical plan increased incrementally to 3.75% on July 1, 2015 under the Shared Responsibility Plan. Also, the premiums collected from retirees and investment income contributes to funding the plan.

TRIMBLE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

CERS

Benefits Provided

The system provides for retirement, disability, and death benefits to system members. Retirement benefits may be extended to beneficiaries of members under certain circumstances. Prior to July 1, 2009, cost-of-living adjustments (COLA) were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. Effective July 1, 2009, and on July 1 of each year thereafter through June 30, 2014, the COLA is limited to 1.5% provided the recipient has been receiving a benefit for at least 12 months prior to the effective date of the COLA. If the recipient has been receiving a benefit for less than 12 months prior to the effective date of the COLA, the increase shall be reduced on a pro-rata basis for each month the recipient has not been receiving benefits in the 12 months preceding the effective date of the COLA. The Kentucky General Assembly reserves the right to suspend or reduce the COLA if, in its judgment, the welfare of the Commonwealth so demands. No COLA has been granted since July 1, 2011.

Contributions

For the fiscal year ended June 30, 2017, plan members who began participating prior to September 1, 2008, were required to contribute 5% of their annual creditable compensation. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. The school districts' contractually required contribution rate for the year ended June 30, 2017, was 13.95 percent of annual creditable compensation. Contributions to the pension plan from the District were \$241,705.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the District reported a liability of \$4,136,868 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2017, the District's proportion was 0.084021 percent, which was a decrease of .003720 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2017, the District recognized pension expense of \$473,209. At June 30, 2017, the District reported its proportionate share of the CERS deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

TRIMBLE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE 8 – PENSION PLANS – CONTINUED

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 18,061	\$ -
Changes in actuarial assumptions	219,148	
Difference between projected and actual investment earnings	388,908	
Changes in proportion and differences between employer contributions and proportionate share of contributions		173,788
Contributions paid to CERS subsequent to the measurement date	241,705	
	<u>\$ 867,822</u>	<u>\$ 173,788</u>

The amount reported as deferred outflows for District contributions subsequent to the measurement date of \$241,705 will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Pension Expense Amount
2018	\$ 181,608
2019	104,632
2020	100,586
2021	65,503
	<u>\$ 452,329</u>

Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25 percent
Salary increases	4.0 percent, average, including inflation
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back for one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

TRIMBLE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE 8 – PENSION PLANS – CONTINUED

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2008 – June 30, 2013.

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for the Systems. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated December 3, 2015. Several factors are considered in evaluating the long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Combined Equity	44%	5.40%
Combined Fixed Income	19%	1.50%
Real Return (Diversified Inflation Strategies)	10%	3.50%
Real Estate	5%	4.50%
Absolute Return (Diversified Hedge Funds)	10%	4.25%
Private Equity	10%	8.50%
Cash	2%	-0.25%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability as of the Measurement Date was 7.5%. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 27 year amortization period of the unfunded actuarial accrued liability. The discount rate determination does not use a municipal bond rate. Projected future benefit payments for all current plan members were projected through 2117. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the CERS Comprehensive Annual Financial Report.

TRIMBLE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE 8 – PENSION PLANS – CONTINUED

Sensitivity Of The District's Proportionate Share Of The Net Pension Liability To Changes In The Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 5,155,214	\$ 4,136,868	\$ 3,263,953

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position, which has been determined on the same basis as that used by the plan, is available in the separately issued CERS financial report. The financial statements are prepared on the accrual basis of accounting. Member contributions and employer matching contributions are recognized in the fiscal year due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

CERS also provides post-retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Years of Service	% paid by Insurance Fund	% Paid by Member through Payroll Deduction
20 or more	10	0%
15-19	7	25%
10-14	5	50%
4-9	2	75%
Less than 4	0	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

TRIMBLE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE 8 – PENSION PLANS – CONTINUED

The District is required to contribute at an actuarially determined rate. As of June 30, 2017, 2016, and 2015, the District's required contribution rate was 4.73%, 4.64%, and 4.92%, respectively, of annual covered payroll. The contribution requirements of plan members and the District are established and may be amended by the Kentucky Retirement Systems Board of Trustees. Contributions to the Insurance Fund from the District were \$81,955, \$93,294, and \$111,636 for the years ended June 30, 2017, 2016, and 2015.

DEFERRED COMPENSATION

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Sections 457, 401(k) and 403(b). The Plans, available to all employees, permits them to defer a portion of their salary until future years. This deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, allows entities with little or no administrative involvement who do not perform the investing function for these plans to omit plan assets and related liabilities from their financial statements. The District, therefore, does not show these assets and liabilities on these financial statements

NOTE 9 – FUND BALANCES

Nonspendable fund balances are those that cannot be spent on future obligations. At June 30, 2017, there were no nonspendable fund balances

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. At June 30, 2017, the District had \$78,390 restricted for compensated absences in the General Fund and \$17,682 restricted for grants in the Special Revenue Fund.

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which, for the District is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment. The District had no commitments at June 30, 2017.

Assigned fund balances are those amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows program supervisors to complete purchase orders which result in the encumbrance of funds. Assigned fund balance also includes (a) all remaining amounts (except for negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose. The assigned fund balances were \$14,893 for site-based carryforward in the General Fund and \$57,707 for school activities in the District Activity Fund at June 30, 2017.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

TRIMBLE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE 9 – FUND BALANCES – CONTINUED

The District considers unrestricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Also, the District has established the order of restricted, committed and assigned when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

The District receives funding from Federal, State and Local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based upon the grantor's review, the funds are considered not to have been used for the intended purpose, the grantors may request a refund of monies advanced, or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

The District is subject to various other legal actions in various stages of litigation, the outcome of which is not determinable at this time. Management of the District and its legal counsel do not anticipate that there will be any material effect on the basic financial statements as a result of the cases presently in progress.

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the School District at risk for a substantial loss.

NOTE 11 – DEFICIT OPERATING BALANCES

The Food Service Fund had a deficit net position at June 30, 2017 in the amount of \$263,204. The deficit net position is a result of the recording of the net pension liability for CERS as part of GASB Statement 68. The following funds had operations that resulted in a current year deficit of revenues over expenditures resulting in a corresponding reduction of fund balance/net position:

General Fund	\$ 276,169
Special Revenue Fund	37,338
SEEK Capital Outlay Fund	1,134
Debt Service Fund	2,757
Food Service Fund	5,287
After School Care Fund	4,574

TRIMBLE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE 12 – ON-BEHALF PAYMENTS

The District receives on-behalf payments from the Commonwealth of Kentucky for items including pension, technology, health care costs, operating costs and debt service. The amounts received and funds where these items were recorded for the fiscal year ended June 30, 2017 were as follows:

Health	\$ 1,152,353
Life	2,202
Admin	17,488
HRA	118,475
TRS	905,212
Technology	54,741
Debt Service	483,511
Less: Federal Reimbursement	<u>(30,689)</u>
Total on-behalf	<u>\$ 2,703,293</u>

Recorded as follows:

General Fund	\$ 2,133,999
Food Service Fund	82,481
After School Care Fund	3,302
Debt Service Fund	<u>483,511</u>
	<u>\$ 2,703,293</u>

TRIMBLE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE 13 – PRIOR PERIOD ADJUSTMENT

During the year ended June 30, 2017, the District made restatements as follows:

Government-wide Activities

Beginning balance, July 1, 2016	\$ 10,867,176
Adjustment to set up deferred amount on refundings	234,572
Adjustment to set up bond discount	27,058
Adjustment to set up bond premium	(24,749)
Adjustment to not defer KETS	55,020
Adjust for debt service cash not recorded	2,257
Adjustment for CERS pension	251,110
	<hr/>
Beginning balance, July 1, 2016, restated	<u><u>\$ 11,412,444</u></u>

Fund Financial Statements

Special Revenue Fund

Beginning balance, July 1, 2016	\$ -
Adjustment to not defer KETS	55,020
	<hr/>
Beginning balance, July 1, 2016, restated	<u><u>\$ 55,020</u></u>

Debt Service Fund

Beginning balance, July 1, 2016	\$ -
Adjust for debt service cash not recorded	2,257
	<hr/>
Beginning balance, July 1, 2016, restated	<u><u>\$ 2,257</u></u>

Food Service Fund

Beginning balance, July 1, 2016	\$ 73,017
Adjustment for CERS pension	(330,934)
	<hr/>
Beginning balance, July 1, 2016, restated	<u><u>\$ (257,917)</u></u>

After School Care Fund

Beginning balance, July 1, 2016	\$ 31,585
Adjustment for CERS pension	(18,625)
	<hr/>
Beginning balance, July 1, 2016, restated	<u><u>\$ 12,960</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

TRIMBLE COUNTY SCHOOL DISTRICT

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL**

GENERAL FUND

Year Ended June 30, 2017

	<u>Original</u>	<u>Final</u>	<u>Actual</u>
Revenues:			
From local sources:			
Taxes:			
Property	\$ 3,324,360	\$ 3,393,803	\$ 3,360,973
Motor vehicle	288,030	290,354	309,364
Utilities	420,000	420,000	367,135
Tuition	19,000	19,000	19,578
Earnings on investments	1,000	10,000	15,964
Other local revenues	8,000	15,155	32,283
Intergovernmental - State	6,307,573	6,228,541	6,577,510
Intergovernmental - Indirect Federal	45,000	50,000	84,539
Total Revenues	10,412,963	10,426,853	10,767,346
Expenditures:			
Instruction	5,954,951	6,118,145	6,155,182
Support services:			
Student	445,939	447,715	473,052
Instruction staff	523,640	528,230	624,593
District administrative	528,030	535,863	552,227
School administrative	802,042	725,979	736,864
Business	510,034	523,179	613,640
Plant operation and maintenance	1,112,779	1,108,332	993,259
Student transportation	961,233	956,607	820,928
Community service activities	6,262	6,262	5,704
Facilities acquisition and construction	17,500	27,500	19,474
Other non-instruction	1,757,780	1,266,926	
Total Expenditures	12,620,190	12,244,738	10,994,923
Excess (Deficit) of Revenues over Expenditures	(2,207,227)	(1,817,885)	(227,577)
Other Financing Sources (Uses):			
Proceeds from sale of capital assets	2,500	2,500	534
Transfers out	(29,405)	(29,405)	(49,126)
Total Other Financing Sources (Uses)	(26,905)	(26,905)	(48,592)
Net Change in Fund Balances	(2,234,132)	(1,844,790)	(276,169)
Fund Balance, July 1, 2016	2,234,132	1,844,790	1,945,074
Fund Balance, June 30, 2017	\$ -	\$ -	\$ 1,668,905

TRIMBLE COUNTY SCHOOL DISTRICT

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL**

SPECIAL REVENUE FUND

Year Ended June 30, 2017

	<u>Original</u>	<u>Final</u>	<u>Actual</u>
Revenues:			
Tuition	\$ -	\$ 2,800	\$ 2,800
Earnings on investments	135	300	300
Other local revenues		2,250	6,010
Intergovernmental - State	354,037	370,420	402,343
Intergovernmental - Indirect Federal	712,576	692,973	844,516
Total Revenues	<u>1,066,748</u>	<u>1,068,743</u>	<u>1,255,969</u>
Expenditures:			
Instruction	835,061	845,147	1,049,927
Support services:			
Instruction staff	106,309	89,893	105,521
Student transportation	5,000		10,248
Community service activities	149,783	146,153	146,152
Other		12,022	5,931
Total Expenditures	<u>1,096,153</u>	<u>1,093,215</u>	<u>1,317,779</u>
Excess (Deficit) of Revenues over Expenditures	(29,405)	(24,472)	(61,810)
Other Financing Sources (Uses):			
Transfers in	29,405	24,472	24,472
Total Other Financing Sources (Uses)	<u>29,405</u>	<u>24,472</u>	<u>24,472</u>
Net Change in Fund Balances	<u>-</u>	<u>-</u>	<u>(37,338)</u>
Fund Balance, July 1, 2016, as previously reported	-	-	-
Restatement	-	-	55,020
Fund Balance, July 1, 2016, as restated	<u>-</u>	<u>-</u>	<u>55,020</u>
Fund Balance, June 30, 2017	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,682</u>

TRIMBLE COUNTY SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE CERS NET PENSION LIABILITY

June 30, 2017

Last 10 Years *

	2017	2016	2015
Proportion of the net pension liability	0.084021%	0.087741%	0.092517%
Proportionate share of the net pension liability	\$ 4,136,868	\$ 3,772,457	\$ 3,632,000
Covered - employee payroll	\$ 2,010,639	\$ 2,269,020	\$ 2,127,378
Proportionate share of the net pension liability as percentage of covered payroll	205.7%	166.3%	170.7%
Plan fiduciary net position as a percentage of the total pension liability	55.50%	59.97%	66.80%

* Fiscal year 2015 was the first year of implementation, therefore, only three years are shown.

TRIMBLE COUNTY SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE TRS NET PENSION LIABILITY

June 30, 2017

Last 10 Years *

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability	0.186500%	0.189400%	0.185100%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -
State proportionate share of the net pension liability associated with the District	<u>55,014,161</u>	<u>44,075,090</u>	<u>38,045,147</u>
Total	<u>\$ 55,014,161</u>	<u>\$ 44,075,090</u>	<u>\$ 38,045,147</u>
Covered - employee payroll	\$ 5,983,676	\$ 5,977,019	\$ 5,777,947
District's proportionate share of the net pension liability as percentage of covered payroll	0.0%	0.0%	0.0%
Plan fiduciary net position as a percentage of the total pension liability	35.20%	42.50%	45.59%

* Fiscal year 2015 was the first year of implementation, therefore, only three years are shown.

TRIMBLE COUNTY SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS TO CERS

June 30, 2017

Last 10 Years *

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ 241,705	\$ 249,721	\$ 289,300
Contribution in relation to the actuarially determined contributions	<u>241,705</u>	<u>249,721</u>	<u>289,300</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 1,732,654	\$ 2,010,639	\$ 2,269,020
Contributions as a percentage of covered employee payroll	13.95%	12.42%	12.75%

* Fiscal year 2015 was the first year of implementation, therefore, only three years are shown.

TRIMBLE COUNTY SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS TO TRS

June 30, 2017

Last 10 Years *

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ -	\$ -	\$ -
Contribution in relation to the actuarially determined contributions	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 5,702,207	\$ 5,983,676	\$ 5,977,019
Contributions as a percentage of covered employee payroll	0.00%	0.00%	0.00%

* Fiscal year 2015 was the first year of implementation, therefore, only three years are shown.

TRIMBLE COUNTY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2017

CERS

Changes of benefit terms. There were no changes in benefit terms.

Changes of assumptions. There were no changes in assumptions.

TRS

Changes of benefit terms. There were no changes in benefit terms.

Changes of assumptions. The following changes in assumptions were made:

Changes of assumptions. In the 2011 valuation and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2011. In the 2011 valuation, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In the 2011 valuation, the Board adopted an interest smoothing methodology to calculate liabilities for purposes of determining the actuarially determined contributions. Beginning with the 2014 valuation, the interest smoothing methodology is no longer used.

SUPPLEMENTARY INFORMATION

TRIMBLE COUNTY SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

June 30, 2017

	District Activity Fund	SEEK Capital Outlay Fund	FSPK Fund	Construction Fund	Debt Service Fund	Total Nonmajor Governmental Funds
Assets:						
Cash and cash equivalents	\$ 57,707	\$ -	\$ -	\$ -	\$ -	\$ 57,707
Total Assets	<u>\$ 57,707</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 57,707</u>
Liabilities and Fund Balances:						
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances						
Assigned	<u>57,707</u>					<u>57,707</u>
Total Fund Balances	<u>57,707</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>57,707</u>
Total Liabilities and Fund Balances	<u>\$ 57,707</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 57,707</u>

TRIMBLE COUNTY SCHOOL DISTRICT

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS**

Year Ended June 30, 2017

	District Activity Fund	SEEK Capital Outlay Fund	FSPK Fund	Construction Fund	Debt Service Fund	Total Nonmajor Governmental Funds
Revenues						
From local sources:						
Property taxes	\$ -	\$ -	\$ 266,984	\$ -	\$ -	\$ 266,984
Motor vehicle tax			35,376			35,376
Earnings on investments		150	201			351
Other local revenue	107,918					107,918
Intergovernmental - State		116,534	154,008		483,511	754,053
Total Revenues	107,918	116,684	456,569	-	483,511	1,164,682
Expenditures						
Instruction	38,327					38,327
Support services:						
Student	522					522
Instruction staff	11,362					11,362
Facilities acquisition and construction				45,123		45,123
Debt service:						
Principal					810,000	810,000
Interest					229,686	229,686
Total Expenditures	50,211	-	-	45,123	1,039,686	1,135,020
Excess (Deficit) of Revenues over Expenditures	57,707	116,684	456,569	(45,123)	(556,175)	29,662
Other Financing Sources (Uses)						
Transfers in				45,123	553,918	599,041
Transfers out		(117,818)	(456,569)			(574,387)
Total Other Financing Sources (Uses)	-	(117,818)	(456,569)	45,123	553,918	24,654
Net Change in Fund Balances	57,707	(1,134)	-	-	(2,257)	54,316
Fund Balance, July 1, 2016, as previously reported	-	1,134	-	-	-	1,134
Restatement					2,257	2,257
Fund Balance, July 1, 2016, as restated	-	1,134	-	-	2,257	3,391
Fund balance, June 30, 2017	\$ 57,707	\$ -	\$ -	\$ -	\$ -	\$ 57,707

TRIMBLE COUNTY SCHOOL DISTRICT

COMBINING STATEMENT OF FIDUCIARY NET POSITION

AGENCY FUNDS

June 30, 2017

	Bedford Elementary School	Milton Elementary School	Trimble County Middle School	Trimble County High School	Total Agency Fund
Assets					
Cash and cash equivalents	\$ 2,853	\$ 3,696	\$ 85,706	\$ 23,574	\$ 115,829
Receivables					-
Total Assets	<u>\$ 2,853</u>	<u>\$ 3,696</u>	<u>\$ 85,706</u>	<u>\$ 23,574</u>	<u>\$ 115,829</u>
Liabilities					
Accounts payable	\$ -	\$ -	\$ 12,099	\$ -	\$ 12,099
Due to student groups	2,853	3,696	73,607	23,574	103,730
Total Liabilities	<u>\$ 2,853</u>	<u>\$ 3,696</u>	<u>\$ 85,706</u>	<u>\$ 23,574</u>	<u>\$ 115,829</u>

TRIMBLE COUNTY SCHOOL DISTRICT

SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES

AGENCY FUNDS

June 30, 2017

<u>SCHOOL</u>	CASH BALANCE July 1, 2016	RECEIPTS	DISBURSE- MENTS	CASH BALANCE June 30, 2017	RECEIVABLES June 30, 2017	ACCOUNTS PAYABLE June 30, 2017	DUE TO STUDENT GROUPS June 30, 2017
Bedford Elementary School	\$ 19,318	\$ 36,873	\$ 53,338	\$ 2,853	\$ -	\$ -	\$ 2,853
Milton Elementary School	23,714	22,536	42,554	3,696	-	-	3,696
Trimble Co. High School	112,373	262,925	289,592	85,706	-	12,099	73,607
Trimble Co. Middle School	23,764	88,178	88,368	23,574	-	-	23,574
Total	<u>\$ 179,169</u>	<u>\$ 410,512</u>	<u>\$ 473,852</u>	<u>\$ 115,829</u>	<u>\$ -</u>	<u>\$ 12,099</u>	<u>\$ 103,730</u>

TRIMBLE COUNTY SCHOOL DISTRICT
SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES
TRIMBLE COUNTY HIGH SCHOOL
YEAR ENDED JUNE 30, 2017

NAME OF ACTIVITY	CASH BALANCE July 1, 2016	RECEIPTS	DISBURSE- MENTS	CASH BALANCE June 30, 2017	RECEIVABLES June 30, 2017	ACCOUNTS PAYABLE June 30, 2017	DUE TO STUDENT GROUPS June 30, 2017
GENERAL	11,788	8,737	20,522	3	-	-	3
SCHOOL INCENTIVES	190	162	352	-	-	-	-
TRANSPORTATION	9,752	20,342	11,254	18,840	-	12,099	6,741
A.P. EXAMS	786	1,317	2,013	90	-	-	90
PSAT TEST	11	544	555	-	-	-	-
CHARITIES/CASUAL	721	1,055	1,411	365	-	-	365
COLLEGE ALGEBRA DUAL CLASS	520	-	520	-	-	-	-
PARKING PASSES	-	2,010	2,010	-	-	-	-
DUAL CREDIT FEES 2016-17	-	2,850	2,850	-	-	-	-
FAMILIES IN NEED	-	678	678	-	-	-	-
CBI	561	30	30	561	-	-	561
GUIDANCE DEPT.	72	-	72	-	-	-	-
FRESHMEN	110	468	518	60	-	-	60
SOPHOMORES	442	3,535	2,277	1,700	-	-	1,700
JUNIORS	3,077	6,109	6,332	2,854	-	-	2,854
LIBRARY	688	442	933	197	-	-	197
SCIENCE	-	-	-	-	-	-	-
SENIORS	-	33,576	33,576	-	-	-	-
SENIOR OVERFLOW	788	-	788	-	-	-	-
GRIT	883	4,011	375	4,519	-	-	4,519
SENIORS CLASS OF 2023	-	639	-	639	-	-	639
FCA	-	50	-	50	-	-	50
ACADEMIC TEAM	-	799	799	-	-	-	-
ART CLUB	640	1,200	1,302	538	-	-	538
BETA CLUB	489	2,579	2,756	312	-	-	312
GREENHOUSE	-	4,438	-	4,438	-	-	4,438
FFA	2,227	21,287	20,585	2,929	-	-	2,929
BAND	-	1,393	1,393	-	-	-	-
FBLA	-	3,056	2,956	100	-	-	100
COOKING CLUB	-	-	-	-	-	-	-
HISTORY CLUB	1,210	77	-	1,287	-	-	1,287
PEP CLUB	70	873	943	-	-	-	-
SCIENCE CLUB	1,231	-	-	1,231	-	-	1,231
SPANISH CLUB	658	-	-	658	-	-	658
SMILE CLUB	-	546	273	273	-	-	273
Y-CLUB	-	1,500	1,500	-	-	-	-
YEARBOOK	1,600	11,651	13,236	15	-	-	15
TEEN LEADERSHIP	594	-	594	-	-	-	-
MEDIA CLASS	662	200	862	-	-	-	-
DRAMA	4,536	3,536	6,406	1,666	-	-	1,666
MUSIC/VOCALS	100	340	440	-	-	-	-
TSA	403	-	-	403	-	-	403
DANCE	110	90	-	200	-	-	200
BOOKSTORE	170	-	170	-	-	-	-
LOUNGE DRINK MACHINE	392	370	353	409	-	-	409
ATHLETIC DRINK MACHINE	342	456	544	254	-	-	254
COURT YARD	18	-	18	-	-	-	-
CREDIT RECOVERY	5,704	-	5,704	-	-	-	-
SCHOOL RESOURCES	18,331	662	18,993	-	-	-	-
AG SCIENCE, ENG, ANIMALS	493	1,155	1,648	-	-	-	-
ART & DRAWING FEES	2,742	3,600	6,342	-	-	-	-
BUSINESS EDUCATION	736	640	1,376	-	-	-	-
COMPUTER LAB FEES	2,118	-	2,118	-	-	-	-
BIOLOGY/ANATOMY	748	495	1,243	-	-	-	-
CHEMISTRY	182	270	452	-	-	-	-
TECH FEES	328	780	1,108	-	-	-	-
FORENSICS	541	300	841	-	-	-	-
STUDENT RESOURCES	-	17,421	17,273	148	-	-	148
FLOWER & GIFT FUND	125	415	205	335	-	-	335
ART & HUMANITIES	14	-	14	-	-	-	-
SMILE CLUB - ALEX & PEUGEO	-	85	7	78	-	-	78
BLUE & GOLD FIELD TRIP	-	740	-	740	-	-	740

TRIMBLE COUNTY SCHOOL DISTRICT

SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES

TRIMBLE COUNTY HIGH SCHOOL

YEAR ENDED JUNE 30, 2017

NAME OF ACTIVITY	CASH BALANCE July 1, 2016	RECEIPTS	DISBURSE- MENTS	CASH BALANCE June 30, 2017	RECEIVABLES June 30, 2017	ACCOUNTS PAYABLE June 30, 2017	DUE TO STUDENT GROUPS June 30, 2017
AP ENGLISH	92	-	92	-	-	-	-
SPEECH AND DEBATE CLASS	-	45	-	45	-	-	45
STUDENT INCENTIVES	228	705	234	699	-	-	699
ATHLETICS	2,846	36,756	37,485	2,117	-	-	2,117
ATHLETIC CONCESSIONS	750	18,440	18,398	792	-	-	792
BOYS GOLF	1,084	1,141	2,044	181	-	-	181
FOOTBALL	-	24,445	21,411	3,034	-	-	3,034
BOYS BASKETBALL	4,561	16,629	14,988	6,202	-	-	6,202
8TH REGION BASKETBALL COACH	-	-	-	-	-	-	-
GIRLS BASKETBALL	2,549	20,021	16,001	6,569	-	-	6,569
CROSS COUNTRY	2,510	10,979	10,201	3,288	-	-	3,288
TRACK	2,719	6,622	5,537	3,804	-	-	3,804
GIRLS CLASS A STATE 2016/2017	-	3,143	3,143	-	-	-	-
SOFTBALL	2,184	11,251	11,563	1,872	-	-	1,872
BASEBALL	2,680	7,498	5,811	4,367	-	-	4,367
DIST BASEBALL	-	2,295	2,295	-	-	-	-
BOYS TENNIS	802	886	828	860	-	-	860
VOLLEYBALL	3,192	15,456	16,000	2,648	-	-	2,648
GIRLS TENNIS	857	886	828	915	-	-	915
GIRLS GOLF	1,380	507	1,744	143	-	-	143
OLF FOOTBALL ACC.	-	6,178	6,178	-	-	-	-
DIST VOLLEYBALL	-	1,535	1,535	-	-	-	-
RELAY FOR LIFE	1,678	2,774	4,452	-	-	-	-
8TH REGION SOFTBALL 2016	-	30	30	-	-	-	-
COACHES ASSOC. DUES	-	785	785	-	-	-	-
CHEERLEADING	4,128	7,159	9,020	2,267	-	-	2,267
DIST. BASKETBALL 2016	-	-	-	-	-	-	-
GIRLS SWEET 16 2016	-	-	-	-	-	-	-
PROJECT PROM	-	1,100	1,100	-	-	-	-
TONYA BLACK SCHOLARSHIP	-	10	-	10	-	-	10
KELLY JEWELL SCHOLARSHIP	100	-	100	-	-	-	-
IN MEMORY OF F. BURKHARDT	-	-	-	-	-	-	-
TAMMY GOFF SCHOLARSHIP	130	150	280	-	-	-	-
TOTALS	112,373	364,935	391,603	85,705	-	12,099	73,606
TRANSFERS	-	102,030	102,030	-	-	-	-
TOTALS	\$ 112,373	\$ 262,905	\$ 289,573	\$ 85,705	\$ -	\$ 12,099	\$ 73,606

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TRIMBLE COUNTY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2017

FEDERAL GRANTOR/PASS-THROUGH GRANTOR / PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS THROUGH GRANTOR'S IDENTIFYING NUMBER	FEDERAL EXPENDITURES
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Child Nutrition Cluster -			
Passed Through State Department of Education:			
National School Lunch	10.555	7750002-16	\$ 85,344
		7750002-17	324,353
School Breakfast Program	10.553	7760005-16	37,345
		7760005-17	138,504
Non-Cash Assistance (Commodities)			
National School Lunch Program	10.555	057502-02	57,654
TOTAL CHILD NUTRITION CLUSTER			643,200
TOTAL U.S. DEPT. OF AGRICULTURE			643,200
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Special Education Cluster -			
Passed Through State Department of Education:			
Special Education - Grants to States	84.027	337B	5,621
		337C	245,605
			251,226
Special Education - Preschool Grants	84.173	343C	11,654
			11,654
TOTAL SPECIAL EDUCATION CLUSTER			262,880
<u>OTHER U.S. DEPARTMENT OF EDUCATION PROGRAMS</u>			
Passed Through State Department of Education			
Title I Grants to Local Educational Agencies	84.010	310C	313,976
			313,976
Vocational Education - Basic Grants to States	84.048	348BA	671
		348C	12,927
			13,598
Rural Education	84.358	350B	8,675
		350C	27,596
			36,271
Improving Teacher Quality - State Grants	84.367	401C	57,730
			57,730
School Improvement Grants	84.377	4604	116,888
			116,888
Passed Through Green River Regional Educational Cooperative			
ARRA - Race to the Top	84.416	436A	15,655
		436B	20,813
		436C	6,705
			43,173
TOTAL U.S. DEPARTMENT OF EDUCATION			844,516
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 1,487,716

The accompanying notes are an integral part of this schedule.

TRIMBLE COUNTY SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2017

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Trimble County School District under programs of the federal government for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Trimble County School District, it is not intended to and does not present the financial position, changes in net position or cash flows of Trimble County School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting for proprietary funds and the modified accrual basis of accounting for governmental funds. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

NOTE C – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities received.

NOTE D – INDIRECT COST RATE

The District has elected to not use the 10 percent de minimum indirect cost rate allowed under the Uniform Guidance.

NOTE E – SUBRECIPIENTS

There were no subrecipients during the fiscal year.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

TRIMBLE COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

Section I-Summary of Auditor's Results

Financial Statements

Type of auditor's report issued (unmodified):

Internal control over financial reporting:

- Material weakness(es) identified? ☒ yes ☐ no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ☐ yes ☒ none reported

Noncompliance material to financial statements noted?

☐ yes ☒ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☒ yes ☐ no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? ☐ yes ☒ none reported

Type of auditor's report issued on compliance for major programs (unmodified):

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

☐ yes ☒ no

Identification of major programs:

CFDA Number	Federal Program or Cluster
DEPARTMENT OF AGRICULTURE	

10.553/10.555	Child Nutrition Cluster
---------------	-------------------------

Dollar threshold used to distinguish
Between type A and type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

☐ yes ☒ no

Section II – Financial Statement Findings

MATERIAL WEAKNESSES

REFERENCE NUMBER 2017-001 ADJUSTMENTS

Condition: As part of the audit we proposed material adjustments to the financial statements.

Criteria: The District's management is responsible for establishing and maintaining internal controls for the proper recording of all the District's accounting transactions.

Cause: The District did not identify items to be corrected.

Effect: The design of the internal controls identifying adjustments did not prevent material adjustments.

Recommendation: We recommend District management and financial personnel review the procedures and processes involved in recording journal entries and enhance its internal control policies to ensure proper recording of these items.

Views of Responsible Officials and Planned Corrective Actions:

The appropriate staff of the district will attend training sessions and the necessary corrections will be made to ensure these adjustments will not be required in the future.

REFERENCE NUMBER 2017-002 RESTATEMENTS

Criteria: The District's management is responsible for establishing and maintaining internal controls for the proper recording of all the District's accounting transactions.

Condition: As part of the audit we proposed material restatement adjustments to the financial statements for compensated absences.

Cause: The District did not identify items to be corrected.

Effect: The design of the internal controls identifying adjustments did not prevent material adjustments.

Recommendation: We recommend District management and financial personnel review the procedures and processes involved in recording journal entries and enhance its internal control policies to ensure proper recording of these items.

Views of Responsible Officials and Planned Corrective Actions:

The appropriate staff of the district will attend training sessions and the necessary corrections will be made to ensure these adjustments will not be required in the future.

Section III – Federal Award Findings and Questioned Costs

REFERENCE NUMBER 2017-003

Child Nutrition Cluster – CFDA No. 10.553 (School Breakfast Program) and 10.555 (National School Lunch Program) – Year Ended June 30, 2017 – U. S. Department of Agriculture, Passed Through State Department of Education

Material Weakness – Written Procedures

Criteria: Part 200 of Title 2 of the U.S. Code of Federal Regulations titled, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards, requires written procedures for payments, procurement, allowability of costs, compensation and travel costs when using federal funds.

Condition: The District's policies and procedures were in accordance with state requirements but did not include the required federal requirements.

Questioned Costs: None

Context: This was noted during a review of procedures.

Effect: The District could have not followed the Uniform Administrative Guidance.

Cause: The District was had not updated its procedures for the requirements.

Recommendation: The District should adopt revised procedures.

Views of Responsible Officials and Planned Corrective Actions:

The district adopted the Federal Grant Procedures Manual at the August 2, 2017 Board meeting which has corrected these findings going forward.

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

TRIMBLE COUNTY SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

June 30, 2017

FINDING 2016-001 – SIGNIFICANT DEFICIENCY – CASH RECONCILIATION

Condition This finding was a significant deficiency stating that the District did not have sufficient procedures over the review of the cash balance and reconciliation.

Recommendation: The auditor recommended that the District complete the cash reconciliation monthly to balance with the actual cash amounts in Munis to ensure all cash activity is being properly recorded and accounted for.

Current Status: The District implemented the recommendation. No similar findings were noted in the June 30, 2017 audit.

FINDING 2016-002 – SIGNIFICANT DEFICIENCY – NEGATIVE FUND BALANCE

Condition This finding was a significant deficiency stating that the District did not have sufficient procedures over the review of fund balance in order to not have negative fund balances.

Recommendation: The auditor recommended that the District review financial statements periodically to ensure that there are no negative fund balances for any funds.

Current Status: The District implemented the recommendation. No similar findings were noted in the June 30, 2017 audit.

**INDEPENDENT AUDITOR'S
REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

State Committee for School District Audits
Members of the Board of Education
Trimble County School District
Bedford, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the requirements prescribed by the Kentucky State Committee for School District Audits in the *Independent Auditor's Contract*, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Trimble County School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Trimble County School District's basic financial statements, and have issued our report thereon dated October 30, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Trimble County School District's internal control over financial reporting (internal control) to determine the audit that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs at items 2017-001 and 2017-002 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Trimble County School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of our tests disclosed no instances of material noncompliance of specific state statutes or regulations identified in the *Independent Auditor's Contract*.

We noted certain matters that we reported to management of Trimble County School District in a separate letter dated October 30, 2017.

Trimble County School District's Response to Findings

Trimble County School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Trimble County School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants
Elizabethtown, Kentucky
October 30, 2017

**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**



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**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Kentucky State Committee for School District Audits
Members of the Board of Education
Trimble County School District
Bedford Kentucky

Report on Compliance for Each Major Federal Program

We have audited Trimble County School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Trimble County School District's major federal programs for the year ended June 30, 2017. Trimble County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Trimble County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). and the requirements prescribed by the Kentucky State Committee for School District Audits in Appendices I and II of the Independent Auditor's Contract. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Trimble County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Trimble County School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Trimble County School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of Trimble County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Trimble County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Trimble County School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2017-003 that we consider to be a material weakness.

Trimble County School District's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Trimble County School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Certified Public Accountants
Elizabethtown, Kentucky
October 30, 2017

MANAGEMENT LETTER AND COMMENTS



CHRIS R. CARTER, CPA
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AMERICAN INSTITUTE OF CPAS
KENTUCKY SOCIETY OF CPAS

Kentucky State Committee for School District Audits
Members of the Board of Education of
Trimble County School District
Bedford, Kentucky

In planning and performing our audit of the basic financial statements of Trimble County School District for the year ended June 30, 2017, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiencies. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. Any uncorrected comments from the prior year have been included in the memorandum. A separate report dated October 30, 2017, contains our report on the District's internal control. This letter does not affect our report dated October 30, 2017, on the financial statements of the Trimble County School District.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various District personnel, and their implementation is currently being reviewed. We will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the information and use of management, the members of the Trimble County Board of Education, others within the District, the Kentucky Department of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Stiles, Carter & Associates".

Certified Public Accountants
Elizabethtown, Kentucky
October 30, 2017

TRIMBLE COUNTY SCHOOL DISTRICT

COMMENTS

June 30, 2017

UNCORRECTED PRIOR YEAR COMMENTS – NONE

CURRENT YEAR COMMENTS

BEDFORD ELEMENTARY SCHOOL

SEGREGATION OF DUTIES

Per review of the Internal Control Questionnaire, completed by the school's bookkeeper, we noted that the bookkeeper performs the following duties: enters invoices, prints checks, matches invoice to checks, and mails checks. Redbook requires that one individual enter invoices and print checks and a different individual match the invoices to the checks and mail the checks.

MANAGEMENT RESPONSE

Per Redbook requirements, changes will be made with office staff to where one employee will enter invoices and print checks and a different employee will match the invoices to the checks and mail the checks.

EXTERNAL SUPPORT/BOOSTER CLUBS

We noted that the Bedford Elementary PTO did not have an Annual Financial Report, annual budget, list of officers, proof of liability insurance, or EIN for the 2016-2017 fiscal year on file. Redbook requires that the Annual Financial Report ending June 30 be submitted to the principal by July 15, the annual budget be submitted to the principal within the first thirty days of the school year or within thirty days of the first transaction of the group, and that a listing of officers, proof of liability insurance, and employers' identification number be on file for each year the club is active.

MANAGEMENT RESPONSE

For the FY-18 school year, the Bedford Elementary PTO will be required to provide a list of officers, proof of liability insurance and the organization's EIN. The organization will also be required to submit to the principal by July 15 of each year the Annual Financial Report ending June 30. The BES PTO will be required to submit an annual budget to the principal by the deadlines outlined in the Redbook.

DEPOSIT SLIPS

We noted that the receipt numbers were not included on the deposit slips for the 2016-2017 fiscal year.

MANAGEMENT RESPONSE

A Redbook training session was held on August 4, 2017 with the bookkeeper and principal in order to train them on the correct way to handle these issues.

MISSING DOCUMENTATION

We noted that the deposit made on 11/30/2016, in the amount of \$1,384.00 had the following documentation on file: one pre-numbered receipt stating that \$1,384 was received for field trip fees, one Multiple Receipt Form (F-SA-6) notating that \$515.00 was received for fees for the 4th grade field trip, one post-it note notating that \$518.00 was received for field trip fees, and one envelope notating that \$340.00 was received for field trip fees. There was not a Multiple Receipt Form on file for the remaining \$869.00, therefore we were unable to determine if the deposit was made timely, if copies of the checks were retained, or if the deposit was posted to the proper account.

We noted that the deposit made on 02/03/2017, in the amount of \$178.00 was for the receipt of Beta concession proceeds to the Beta Club Fund. However, the only documentation on file for this receipt was the pre-numbered receipt stating that \$178.00 was received from Kim Williams for Beta Concessions. Therefore, we were unable to determine if the funds were deposited timely or into the proper account. We also noted that there were no Inventory Control Worksheets on file for any of the concession stands that were held during the 16-17 fiscal year. Redbook requires that concession sales receipts be reported on a Sales Collection Form (F-SA-17) and Inventory Control Worksheets (F-SA-5) be completed on a monthly basis or until the ending inventory reaches zero.

We noted that the deposit made on 04/12/2017, in the amount of \$1,250.00 was for the receipt of four checks to the Beta Club Fund. The pre-numbered receipt stated that the receipts were for the Florida trip and Beta Club donations. However, there was not a Multiple Receipt Form (F-SA-6) or a Donation Acceptance Form (F-SA-18) on file to determine if the checks were deposited timely or posted to the proper account.

MANAGEMENT RESPONSE

A Redbook training session was held on August 4, 2017 with the bookkeeper and principal in order to train them on the correct way to handle these issues.

FUNDRAISERS

We noted that the book fair fundraiser receipts for the 2016-2017 had no documentation on file for the receipts except a pre-numbered receipt stating that monies were received for book fair sales. There was a Fundraiser Worksheet (F-SA-2B) on file for the fundraiser, but it was blank. Redbook requires that receipts from book fair fundraisers be reported on Sales Collection Forms (F-SA-17) when deposited and on a Fundraiser Worksheet which is to be filed within one week of the completion of the fundraising period or event.

We noted that the Fundraiser Approval Form (F-SA-2A) that was submitted on 03/13/2017 for the various Beta Club fundraisers that were held during the 2017 fiscal year was not dated by the school's principal. We also noted that there were receipts from these fundraisers deposited into the Beta Club Account prior to 03/13/2017. Redbook requires that fundraisers be approved before they are held.

MANAGEMENT RESPONSE

A Redbook training session was held on August 4, 2017 with the bookkeeper and principal in order to train them on the correct way to handle these issues.

DISALLOWED EXPENDITURES

We noted that check #7922, dated 10/04/2016, in the amount of \$1,578.92 and written to Triumph Learning, LLC from the Donation Fund was for the purchase of various textbooks. Redbook disallows the purchase of textbooks from student activity funds.

We noted that check #7935, dated 12/06/2016, in the amount of \$156.20 and written to Toshiba from the Donation Fund was for the payment of the monthly copier contract. Redbook disallows the expense of operational items from student activity funds.

We noted that check #7955, dated 03/17/2017, in the amount of \$529.03 and written to Duplicator Sales & Service from the Student Council Fund was for the payment of a Ricoh printer lease and various copy fees. Redbook disallows the expense of operational items from student activity funds.

MANAGEMENT RESPONSE

A Redbook training session was held on August 4, 2017 with the bookkeeper and principal in order to train them on the correct way to handle these issues. Bedford Elementary has already corrected the copier issues as all lease payments are now paid through SBDM funds.

MILTON ELEMENTARY SCHOOL

SEGREGATION OF DUTIES

We noted during review of the Internal Control Questionnaire that the bookkeeper enters invoices, prints checks, matches the invoices to the checks and mails the checks. Redbook requires the person that enters invoices and prints checks to be different than the person who matches the invoices to the checks and mails the checks.

MANAGEMENT RESPONSE

Per Redbook requirements, changes will be made with office staff to where one employee will enter the invoices and print checks and a different employee will match the invoices to the checks and mail the checks.

FUNDRAISERS

We noted that there were no applicable F-SA forms for any of the fundraisers actually held during fiscal year 2016-17. This was conveyed in the Internal Control Questionnaire and confirmed by SCA upon review of fundraisers. Redbook requires the Fundraiser Approval Form (F-SA-2A) to be properly completed before the fundraiser begins. Redbook also requires the Fundraiser Worksheet (F-SA-2B) to be properly completed for fundraisers where items are sold, whether they are purchased, donated or both.

MANAGEMENT RESPONSE

A Redbook training session was held on August 4, 2017 with the bookkeeper and principal in order to train them on the correct way to handle these issues.

INVENTORY

We noted during review of inventory that the school has a bookstore, but there were no applicable Inventory Control Worksheets (F-SA-5) completed. The Internal Control Questionnaire says that there were no sales during fiscal year 2016-17, but Redbook requires the Inventory Control Worksheet to be properly completed on a monthly basis until the end of the fiscal year, or until there is zero ending inventory.

MANAGEMENT RESPONSE

A Redbook training session was held on August 4, 2017 with the bookkeeper and principal in order to train them on the correct way to handle these issues.

TRIMBLE COUNTY MIDDLE SCHOOL

SEGREGATION OF DUTIES

Per review of the Internal Control Questionnaire, completed by the school's bookkeeper, we noted that the bookkeeper performs the following duties: enters invoices, prints checks, matches invoice to checks, and mails checks. Redbook requires that one individual enter invoices and print checks and a different individual match the invoices to the checks and mail the checks.

Per review of the Internal Control Questionnaire, completed by the school's bookkeeper, we noted that the bookkeeper performs the following duties: opens the bank statement, clears checks in the accounting system, reconciles the bank account, and reviews the bank reconciliation. Redbook requires that one person open the bank statement, a second person clear the checks and reconcile the bank account, and a third person review the bank reconciliation.

MANAGEMENT RESPONSE

Per Redbook requirements, changes will be made to where one employee will enter invoices and print checks and a different employee will match invoices to the checks and mail the checks. The Principal will also begin to open the monthly bank statement and review the bank reconciliation in order to assist with the separation of duties with the bookkeeper. The SBDM council will also receive monthly reports to review.

EXTERNAL SUPPORT/BOOSTER CLUBS

We noted that the TCMS Boosters did not have an Annual Financial Report, annual budget, list of officers, proof of liability insurance, or EIN for the 2016-2017 fiscal year on file. Redbook requires that the Annual Financial Report ending June 30 be submitted to the principal by July 15, the annual budget be submitted to the principal within the first thirty days of the school year or within thirty days of the first transaction of the group, and that a listing of officers, proof of liability insurance, and employers' identification number be on file for each year the club is active.

MANAGEMENT RESPONSE

Beginning in FY-18 and moving forward, any booster organizations will be required to provide a list of officers, proof of liability insurance and the organization's EIN. The booster organizations will be required to provide to the principal by July 15 of each year, the Annual Financial Report ending June 30. Booster organizations will be required to submit an annual budget to the principal by the deadlines outlined in the Redbook

CONCESSION SALES

We noted that the deposit made on 12/09/2016, in the amount of \$696.05 was for the receipts from the boys' basketball game ticket sales of \$415.00 and sales receipts from concession sales from the boys' basketball game of \$281.05. However, there was not a Sales Collection Form (F-SA-17) on file for the deposit, or an Inventory Control Worksheet (F-SA5) on file for the concession sales for the month of December 2016. Redbook requires that, receipts from concession sales be reported on Sales Collection Forms, and Inventory Control Worksheets be completed on a monthly basis until either the end of the fiscal year or until ending inventory amounts to zero.

MANAGEMENT RESPONSE

A Redbook training session was held on August 4, 2017 with the bookkeeper and principal in order to train them on the correct way to handle these issues.

TRIMBLE COUNTY HIGH SCHOOL

SEGREGATION OF DUTIES

Per review of the Internal Control Questionnaire, completed by the school's bookkeeper, we noted that the bookkeeper performs the following duties: enters invoices, prints checks, and mails checks. Redbook requires that one individual enter invoices and print checks and a different individual mail the checks.

Per review of the Internal Control Questionnaire, completed by the school's bookkeeper, we noted that the bookkeeper opens the bank statement, clears checks, and reconciles the bank account. Redbook requires that one individual open the bank statement, and a different individual clear the checks in the accounting system, and reconcile the bank account.

MANAGEMENT RESPONSE

Per Redbook requirements, changes will be made to where one employee will enter invoices and print checks and a different employee will match invoices to the checks and mail the checks. The Principal will also begin to open and review the monthly bank statement.

EXTERNAL SUPPORT/BOOSTER CLUBS

We noted that the TCHS Boosters did not have an Annual Financial Report, annual budget, list of officers, proof of liability insurance, or EIN for the 2016-2017 fiscal year on file. Redbook requires that the Annual Financial Report ending June 30 be submitted to the principal by July 15, the annual budget be submitted to the principal within the first thirty days of the school year or within thirty days of the first transaction of the group, and that a listing of officers, proof of liability insurance, and employers' identification number be on file for each year the club is active.

MANAGEMENT RESPONSE

Beginning in FY-18 and moving forward, any booster organizations will be required to provide a list of officers, proof of liability insurance and the organization's EIN. The booster organizations will be required to provide to the principal by July 15 of each year, the Annual Financial Report ending June 30. Booster organizations will be required to submit an annual budget to the principal by the deadlines outlined in the Redbook.

CONCESSIONS

We noted that concession sales fundraisers that were held during the 2016-2017 fiscal year did not have a Fundraiser Approval Form (F-SA-2A) on file for the fundraiser, a Sales Collection Form (F-SA-17) on file for the deposits, or an Inventory Control Worksheet (F-SA5) on file for any of the events. Redbook requires that all fundraisers have Fundraiser Approval Forms on file for the year the fundraiser is held, receipts from concession sales be reported on Sales Collection Forms, and Inventory Control Worksheets be completed on a monthly basis until either the end of the fiscal year or until ending inventory amounts to zero.

MANAGEMENT RESPONSE

A Redbook training session was held on August 4, 2017 with the bookkeeper and principal in order to train them on the correct way to handle these issues.

DISBURSEMENTS

We noted that check #19133, dated 7/28/16 and made payable to Great American Business Products in the amount of \$264.29 was for faculty and student parking tags. This was paid out of the General Fund. Redbook disallows purchases from the General Fund that do not benefit the student population as a whole.

We noted that check #19180, dated 9/2/16 and made payable to Amazon in the amount of \$175.54 was for a valance, plants and other items for the office. This was paid out of the General Fund. Redbook disallows purchases from the General Fund that do not benefit the student population as a whole.

MANAGEMENT RESPONSE

A Redbook training session was held on August 4, 2017 with the bookkeeper and principal in order to train them on the correct way to handle these issues.

RECEIPTS

We noted that the deposit made on 09/20/2016, in the amount of \$1,935.20 was for the receipt of the following: a \$150.00 check received for football team fees, a \$35 check received for yearbook fees with an accompanying Multiple Receipt Form (F-SA-6), a \$167.02 check received from the Kroger Rewards Fundraiser, a \$1,328.00 donation check received from Chandler Chevrolet, a \$250.00 donation check received from North American Stainless, and \$5.00 cash that was stated on the pre-numbered receipt as being a donation to the Casual Fund. However, there was not a Multiple Receipt Form (F-SA-6) on file for the football team fees that were collected, there was not a Fundraiser Approval Form (F-SA-2A) on file for the Kroger Rewards Fundraiser, a Multiple Receipt Form (F-SA-6) on file for the receipt of the Kroger Rewards Fundraiser proceeds, or Donation Acceptance Forms (F-SA-18) on file for the three donation checks that were received. Therefore, we were unable to determine if all the funds were deposited on a timely basis, if Kroger Rewards Fundraiser was approved, or if all of the deposits were posted to the proper account.

We noted that the deposit made on 11/03/2016, in the amount of \$3,372.00 was for the receipt of the following: a \$10.00 check received for student fees, a \$250.00 donation check from Bedford Bank that was posted to the Boys' Basketball Fund, a \$1,000.00 donation check received from LG&E that was posted to the Boys' Basketball Fund, \$10.00 cash that was stated on the pre-numbered receipt as being received for the Hometown Pizza Card Fundraiser and posted to the Boys' Basketball Fund, \$2,025.00 that was stated on the pre-numbered receipt as being a mixture of cash and checks that was received for shoes and travel shirts and posted to the Boys' Basketball Fund, and \$77.00 that was stated as being a cash receipt for History Club dues. However, there was no Multiple Receipt Forms (F-SA-6) or Donation Acceptance Forms (F-SA-18) on file for any of the receipts included in this deposit to determine if the funds were deposited timely or if they were posted to the correct account.

MANAGEMENT RESPONSE

A Redbook training session was held on August 4, 2017 with the bookkeeper and principal in order to train them on the correct way to handle these issues.

DEPOSIT SLIPS

We noted that the receipt numbers were not included on the deposit slips for the 2016-2017 fiscal year.

MANAGEMENT RESPONSE

A Redbook training session was held on August 4, 2017 with the bookkeeper and principal in order to train them on the correct way to handle these issues.